

Message Text

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E.O. 11652: N/A

TAGS: ECON, EAID, RP

SUBJECT: ASSESSMENT OF EFFECTIVENESS OF ECONOMIC ASSISTANCE

REFS: (A) STATE 306061 (B) STATE 306064 (C) 77 MANILA A-220

A. SUMMARY:

1. FOR THE EFFECTIVENESS ASSESSMENT, MISSION HAS SELECTED SIX AID-ASSISTED PROJECTS, ONE ADB, THREE IBRD, AND ONE COMBINED IBRD/ADB. AID PROJECTS INCLUDE RURAL ELECTRIFICATION, POPULATION PLANNING, AGRARIAN REFORM, FOOD AND NUTRITION, DISASTER RELIEF AND REHABILITATION, AND THE INTERNATIONAL RICE RESEARCH INSTITUTE. THE ADB PROJECT IS COTABATO IRRIGATION. IBRD-SUPPORTED PROJECTS INCLUDE MANILA URBAN DEVELOPMENT (TONGO FORESHORE), SMALL AND MEDIUM INDUSTRIES DEVELOPMENT, AND TEXTBOOK DEVELOPMENT AND PRODUCTION. THE IBRD/ADB PROJECT IS PRIVATE DEVELOPMENT CORPORATION OF THE PHILIPPINES (PDCP).

2. FOREIGN ASSISTANCE TO THE PHILIPPINES FEATURES EXTENSIVE COMMITMENTS BY FOUR PRINCIPAL DONORS -- BIRD, ADB, US, AND JAPAN. AMONG THE FOUR, THE IBRD, ADB AND JAPANESE ASSISTANCE PROGRAMS ARE IN GENERAL CONCENTRATED ON COMPARATIVELY LARGE-
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SCALE INFRASTRUCTURE AND INDUSTRIAL DEVELOPMENT PROJECTS; THE U.S. PROGRAM IS FOCUSED ON RURAL DEVELOPMENT ACTIVITIES. COMMITMENTS FOR THIS YEAR MAY REACH \$800 MILLION, WHICH SPEAKS WELL FOR THE ABSORPTIVE CAPACITY OF THE COUNTRY.

3. IN LOOKING AT SPECIFIC PROJECTS IN THE BRIEF TIME ALLOWED, WE HAVE ATTEMPTED TO PRESENT A RANGE WHICH WOULD GIVE A

REASONABLE HISTORICAL PERSPECTIVE AND ADDRESS SOME OF THE MORE IMPORTANT QUESTIONS OF DEVELOPMENT IN THE PHILIPPINES. WE HAVE NOT INCLUDED EXAMPLES OF THE LARGER INFRASTRUCTURE PROJECTS SINCE TO DO SO WOULD HAVE REQUIRED MORE TIME AND RESOURCES THAN WERE AVAILABLE. ALTHOUGH WE CAN TAKE SATISFACTION FROM THE CLEAR BENEFITS OF MANY OF THE PROJECTS, A FEW APPEAR TO HAVE FAILED TO BUILD APPROPRIATE INSTITUTIONS, AND OTHERS HAVE SUFFERED FROM POORLY-DRAWN OBJECTIVES.

4. INSPITE OF THE COMPLEXITIES INVOLVED, WE HAVE ATTEMPTED TO BRIEFLY CHARACTERIZE OUR ASSESSMENT OF EACH PROJECT AS FOLLOWS.

BY VIRTUALLY ANY MEASURE, THE RURAL ELECTRIFICATION PROJECT HAS BEEN A VERY SUCCESSFUL ONE, AND CAN SERVE AS A MODEL FOR OTHER DEVELOPMENT COUNTRIES. IN SPITE OF CONTINUING INSTITUTIONAL DEFICIENCIES, THE POPULATION PROJECT HAS ACHIEVED ITS INITIAL PURPOSES, BUT AS THE FOCUS IS BEING SHIFTED TOWARDS RURAL OUTREACH, THE PROBLEMS HAVE BECOME MORE DIFFICULT AND WILL REQUIRE MORE SUSTAINED EFFORT AND DEDICATION TO RESOLVE EFFECTIVELY. AGRARIAN REFORM HAS NOT BEEN VERY EFFECTIVE IN TERMS OF THE OVERALL GOVERNMENT EFFORT; LAND DISTRIBUTION IS TOO POLITICAL AN ISSUE FOR AID'S MODEST ASSISTANCE TO BE A SIGNIFICANT FACTOR IN DETERMINING EITHER THE SCALE OF THE PROGRAM, OR THE RATE AT WHICH LAND IS REDISTRIBUTED. THE FOOD AND NUTRITION PROJECT HAS CONTRIBUTED SIGNIFICANTLY TOWARDS

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IMPROVING THE DIET OF SOME OF THE VERY NEEDY, BUT HAS HAD LIMITED EFFECTIVENESS IN MOBILIZING DOMESTIC RESOURCES TOWARD THIS END. DISASTER RELIEF AND REHABILITATION HAS BEEN A GOOD PROJECT IN TERMS OF DIRECT BENEFITS, THOUGH INSTITUTIONAL CAPABILITIES CAN BE FURTHER STRENGTHENED. THE INTERNATIONAL RICE RESEARCH INSTITUTE PROJECT DESERVES THE WORLDWIDE REPUTATION IT HAS AINED FOR EFFECTIVELY INCREASING RICE PRODUCTION. COTABATO IRRIGATION HAS BEEN A GOOD PROJECT. MANILA URBAN DEVELOPMENT IS A YOUNG BUT VERY PROMISING ONE. THE PRIVATE DEVELOPMENT CORPORATION OF THE PHILIPPINES HAS BECOME A SOLID FINANCIAL INSTITUTION, BUT HAS BEEN DISAPPOINTING IN ITS FAILURE TO EFFECTIVELY MOBILIZE DOMESTIC CAPITAL AND IN NOT ACHIEVING BROADER INFLUENCE. THE SMALL AND MEDIUM INDUSTRIES DEVELOPMENT PROJECT SHOWS PROMISE, BUT SO FAR HAS BEEN MUCH LESS

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EFFECTIVE THAN IT COULD BE. THE NASCENT EDUCATION PROJECT
(TEXTBOOK DEVELOPMENT AND PRODUCTION) TACKLES SOME INITIAL
INSTITUTIONAL PROBLEMS, BUT LOOKS TO BE BASICALLY A WELL-
CONCEIVED PROJECT.

5. THE IBRD CONTRIBUTES ABOUT HALF OF TOTAL FOREIGN
ASSISTANCE, AND WIELDS CONSIDERABLY POLICY INFLUENCE WITH THE
GOP. IT IS THEREFORE SOMEWHAT IRONIC THAT OUR PROJECT
COORDINATION SEEMS TO BE WEAKEST WITH THAT ORGANIZATION.
MONTHLY OPERATIONAL SUMMARIES AND THE CONSULTATIVE GROUP
MEETINGS DO NOT EFFECTIVELY MEET THIS NEED. TO CORRECT THIS
PROBLEM, WE SUGGEST THAT THE IBRD BE ENCOURAGED TO ESTABLISH
A RESIDENT OFFICE, OR TO CONSULT PERIODICALLY WITH OTHER
DONORS ON A PROJECT LEVEL. END SUMMARY.

B. PROJECT ASSESSMENTS

1. RURAL ELECTRIFICATION (AID)

AID SUPPORT FOR THE PROGRAM BEGAN IN 1968, AND
TERMINATES THIS YEAR. U.S. CONTRIBUTIONS TOTAL \$92.8 MILLION,
OR APPROXIMATELY 50 PERCENT OF THE TOTAL COST TO DATE. THE
FINAL AID TRANCHE OF \$8.4 MILLION WAS OBLIGATED JANUARY 13,
1978. THE GOAL OF THE PROGRAM IS TO EXTEND ELECTRICITY TO
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ALL OF THE RURAL AREAS OF THE COUNTRY BY 1990. ABOUT 650,000
HOUSEHOLDS HAVE BEEN ENERGIZED TO DATE WITH OVER FOUR MILLION
PEOPLE NOW RECEIVING ELECTRICITY, OR ABOUT 15 PCT OF THE RURAL
POPULATION.

THIS IS PROBABLY THE MOST SUCCESSFUL FOREIGN ASSISTANCE
PROJECT IN THE PHILIPPINES IN TERMS OF INSTITUTION BUILDING,

FOR WHICH IT HAS BECOME A MODEL THROUGHOUT THE DEVELOPING WORLD, AND MORE IMPORTANTLY, IN TERMS OF DIRECTLY BENEFITING THE RURAL POOR AND EXPANDING THEIR PROSPECTS FOR STILL FRUTHER UPWARD ECONOMIC AND SOCIAL MOBILITY. IT HAS HAD A MAJOR IMPACT ON GOP POLICIES IN TERRMS OF HEIGHTENED PRIORITIES AND RESOURCE ALLOCATIONS FOR RURAL DEVELOPMENT PROJECTS ON A NATIONAL SCALE. IMPORTANCE OF ANCILLARY BENEFITS HAS EXCEEDED EXPECTATIONS.

A RECENT NATIONWIDE SURVEY SHOWED THAT ALMOST ONE-THIRD OF THE RECIPENTS FALL BELOW THE SUBSISTENCE LEVEL OF INCOME FOR THE PHILIPPINES AT THE TIME ELECTRICITY REACHES THEM. ABOUT 90 PCT. HAVE ANNUAL PER CAPITA INCOME LESS THAN \$150. ABOUT ONE-THIRD OWN NEITHER THEIR HOUSE NOR THEIR LOT. ROUGHLY ONE-FIFTH LIVE IN HOUSES OF LIGHT OR SALVAGED MATERIAL -- BAMBOO, SCRAP WOOD, SHEET METAL, PACKING CREATES. APPROXIMATELY ONE-FIFTH HAVE NO EDUCATION BEYOND THE FOURTH GRADE. AVERAGE HOUSEHOLD CONSUMPTION IN THE PHILIPPINES IS 35 KW PER MONTH COMPARED TO 1800 IN THE U.S. WITH RURAL ELECTRIFICATION, PRODUCTIVITY INCREASES ARE DEMONSTRABLE AND INCOME ALSO TENDS TO RISE.

THE PROGRAM HAS CREATED SUBSTANTIAL EMPLOYMENT OPPORTUNITIES. THE RURAL ELECTRIC COOPERATIVES ALREADY EMPLOY ABOUT 10,000 PERSONS. THIS SHOULD INCREASE TO 15,000 AS THE PROGRAM EXPANDS. THERE HAS BEEN A RAPID EXPANSION OF UNCLASSIFIED

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LABOR-INTENSIVE, SMALL AND MEDIUM SCALE INDUSTRIES IN ELECTRIFIED AREAS ALTHOUGH NO NATIONAL DATA ARE AVAILABLE. THE NATIONAL ELECTRIFICATION ADMINISTRATION WHICH MANAGES THE PROGRAM HAS BECOME POSSIBLY THE STRONGEST AND BEST-MANAGED PUBLIC SERVICE INSTITUTION IN THE PHILIPPINES.

THE GOP HAS PROVIDED ONE-HALF OF THE FINANCIAL COST OF THE PROGRAM FROM BUDGET FUNDS. INDIVIDUAL FARMER/LAND OWNERS HAVE DONATED THE LAND NEEDED FOR RIGHTS OF WAY, CONSENTED TO THE REMOVAL OF INCOME-PRODUCING COCONUT AND FRUIT TREES, AND EVEN IN SOME CASES RELOCATED THEIR HOMESTEADS TO GAIN ACCESS TO ELECTRIC SERVICE. THIS INVESTMENT BY BENEFICIARIES REFLECTS RESOURCE MOBILIZATION ON A IMPRESSIVE SCALE. WITHIN A YEAR OR TWO OF ENERGIZING A COMMUNITY, RURAL BANKS BEGIN TO APPEAR. PUBLIC ANDPRIVATE INVESTMENTS IN IRRIGATION, AND POTABLE WATER SYSTEMS ARE ACCELARTED.

JAPAN HAS MADE AVILABLE \$7 MILLION IN REPARATIONS, AND HAS JUST AGREED TO A \$45 MILLION LOAN TO FINANCE CO-OP DEVELOPMENT IN THE CAGAYAN VALLEY IN NORTHERN LUZON. THE WORLD BANK HAS CONTRIBUTED \$2 MILLION FOR SMALL-SCALE ELECTRIC-BASED INDUSTRIAL DEVELOPMENT, AND IS PREPARING A MAJOR LOAN

OF PERHAPS \$30-50 MILLION. FRANCE ARRANGED AN \$18 MILLION
LOAN FOR GENERATORS; WEST GERMANY WILL MAKE AVAILABLE
\$8 MILLION TO ESTABLISH CO-OPS ON CERTAIN SMALL ISLANDS. ITALY
AND NORWAY ARE INTERESTED IN SUPPORTING SPIN-OFF PROJECTS SUCH

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AS MINI-HUDRO GENERATION PLANS IN REMOTE AREAS. THE ADB WILL
ALSO CONSIDER A LOAN TO THE PROGRAM.

BEGINNING WITH TWO PILOT COOPERATIVES TO SERVE SEVERAL
THOUSAND PEOPLE, THE PROGRAM HAS EXPANDED TO INCLUDE 100
COOPERATIVES, 75 OF WHICH ARE AT LEAST PARTIALLY ENERGIZED. THESE
ALREADY SERVE ABOUT 4 MILLION PERSONS. CO-OPS ARE LOCATED IN
ALL BUT A FEW ISOLATED AREAS WHERE FEASIBILITY STUDIES INDICATE
ONE WOULD NOT BE FINANCIALLY VIABLE.

THE SUCCESSFUL DEVELOPMENT AND SPREAD OF ELECTRIC
CO-OPS TO RURAL AREAS HAS ENCOURAGED THE GOVERNMENT IN ITS
EFFORTS TO EXTEND A BROADER RANGE OF ECONOMIC AND SOCIAL
SERVICES TO THE RURAL AREAS.

COORDINATION AMONG DONARS WAS NOT A MAJOR CONCERN UNTIL
RECENTLY WHEN MANY DECLARED AN INTEREST IN EXTENDING ASSISTANCE.
NO MAJOR COORDINATION PROBLEMS HAVE YET SURFACED. THE FINAL
AID LOAN OF \$8.4 MILLION ALTHOUGH NOT ORIGINALLY PLANNED, WAS
AGREED TO AVOID A HIATUS IN NEA OPERATIONS WHILE OTHER DONORS
WERE ARRANGING TO MAKE THEIR CONTRIBUTIONS.

THE ORIGINAL OBJECTIVES WERE TO DEMONSTRATE THE ECONO-
MIC AND FINANCIAL FEASIBILITY OF RURAL ELECTRIFICATION AND THE
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BENEFITS THAT WOULD ENSURE TO THE RURAL AREAS SERVICED. THE TWO PILOT PROJECTS EFFECTIVELY ACCOMPLISHED THIS, AND OBJECTIVES WERE BROADENED TO COUNTRYWIDE RURAL ELECTRIFICATION TO HELP PROVIDE A HIGHER STANDARD OF LIVING FOR RURAL BENEFICIARIES. THE PROGRAM IS WELL ON ITS WAY TO ACHIEVING THIS AS WELL.

CONSIDERABLE ANCILLARY BENEFITS HAVE RESULTED INCLUDING IMPROVED DRINKING WATER SUPPLIES FOLLOWING INSTALLTION OF ELECTRIC DRIVEN PUMPS FOR DEEP WELLS, IMPROVED MEDICAL AND HEALTH SERVICES AS A RESULT OF BETTER ILLUMINATION, STERILIZATION, TEMPERATURE CONTROL, REFRIGERATION FOR DRUGS AND OTHER SUPPLIES AND SPECIALIZED EQUIPMENT FOR OPERATIONS; AND IMPROVED RECREATION THROUGH THE ELECTRIFICATION OF MOVIE THEATRES AND BASKETBAL COURTS. WHILE THERE WERE FOR THE MOST PART FORESEEN BY PROJECT PLANNERS, THE EXTENT OF THEIR IMPACT EXCEEDED EXPECTATIONS.

2. POPULATION PLANNING (AD)

INITIAL PROJECT STARTED IN 1969 AND TERMINATED IN 1976 IN FAVOR OF A FOLLOW-ON PROJECT. FOREIGN ASSISTANCE TOTALLED \$57.2 MILLION OF WHICH AID CONTRIBUTED \$43.5 MILLION (INCLUDING \$11.0 MILLION IN CONTRACEPTIVES). THE NEW PROJECT CALLS FOR AN ADDITIONAL AID CONTRIBUTION OF \$26.8 MILLION. THE PROJECT WAS DESIGNED TO PROVIDE FREE FAMILY PLANNING SERVICES TO URBAN AND RURAL POOR THROUGH DEVELOPMENT OF A FAMILY PLANNING SERVICES SYSTEM.

THIS PROGRAM HAS BEEN A PRIMARY FACTOR IN SHIFTING THE GOP FROM A BASICALLY PRONATALIST POLICY IN THE LATE SIXTIES TO ONE OF THE FEW DEVELOPING COUNTRIES WITH A TRULY NATIONAL POPULATION PROGRAM DESIGNED TO BRING A COMPREHENSIVE PACKAGE OF FAMILY PLANNING SERVICES TO EVERY NEIGHBORHOOD IN THE

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COUNTRY. THE PRINCIPAL INSTITUTION DEVELOPMENT UNDER THIS PROJECT IS NOT YET FULLY CAPABLE OF MANAGING ALL ASPECTS OF ITS PROGRAM INDEPENDENT OF FOREIGN EXPERTS. IT HAS BEEN SUCCESSFUL IN TERMS OF THE 26 PCT. OF MARRIED COUPLES IT HAS REACHED AND MOTIVATED TO REGULARLY PRACTICE CONTRACEPTION. IT IS ANTICIPATED THAT 35 PERCENT WILL BE USING SOME ACCEPTABLE FORM OF CONTRACEPTION BY 1980. BETWEEN 1970 AND 1977 THE POPULATION GROWTH RATE HAS DECLINED FROM ABOUT 3.01 TO ABOUT 2.6. THE PROJECT GOAL OF CONTINUING TO REDUCE THE GROWTH RATE BY 0.1 PERCENT PER YDAR SEEMS FEASIBLE.

THE FIRST PROJECT ESTABLISHED SOME 3,000 CENTERS LOCATED IN SOME 70 PROVINCES AND 60 CITIES NATIONWIDE. LARGELY AS RESULT OF THE PROJECT, THE RATE OF NEW ACCEPTORS OF BIRTH CONTROL METHODS INCREASED FROM AROUND 10,000 PER MONTH IN EARLY 1970 TO 60,000 PERMONTH, UNTIL ABOUT 22 PCT. OF THE POPULATION HAD BEEN REACHED EFFECTIVELY. FOR THE 9-YEAR PERIOD OF PROJECT, AN ESTIMATED 2 MILLION BIRTHS WERE AVERTED. PRESENTLY, TOTAL POPULATION IN THE PHILIPPINES IS APPROXIMATELY 46 MILLION.

BY EARLY 1977, ROUGHLY 26 PERCENT (1.4 MILLION) OF ALL ELIGIBLE COUPLES NATIONWIDE WERE REGULARLY USING CONTRACEPTIVE METHODS OFFERED BY PROGRAM. THE MAJORITY (78 PERCENT OF CURRENT USERS) LIVE IN RURAL AREAS, AND HAVE LITTLE FORMAL EDUCATION.

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MORE THAN 80 PERCENT OF ALL "EVER-ACCEPTORS" LIVED WITHIN FOUR KILOMETS OF THE CLINIC AT TIME OF ACCEPTANCE.

ALTHOUGH THE PROJECT WAS NOT DESIGNED TO CREATE EMPLOYMENT, SOME 4,000 NEW FULL-TIME JOBS HAVE BEEN ESTABLISHED UNDER THE RELATIVELY NEW OUTREACH COMPONENT TO EXTEND SERVICES TO REMOTE RURAL AREAS. THERE IS AN IMPORTANT IMPACT ON UNEMPLOYMENT: BY AVERTING BIRTHS, PROJECT HAS SIGNIFICANTLY REDUCED NUMBER OF FUTURE JOB-SEEKERS.

IN THE EARLY YEARS OF THE PROJECT, THE POPULATION PLANNING FIELD IN PHILIPPINES WAS CROWDED WITH A LARGE NUMBER OF PUBLIC AND PRIVATE AGENCIES, LOOSELY COORDINATED BY A BRAMCH OFFICE WITHIN THE DEPARTMENT OF HEALTH. IN 1970, THE

COMMISSION ON POPULATION (POPCOM) WAS ESTABLISHED TO ACT AS OVERALL COORDINATOR AND EXPAND PROGRAM ACTIVITIES. IN 1974, POPCOM BEGAN DECENTRALIZING PROGRAM MANAGEMENT, CREATING 11 REGIONAL OFFICES. WHILE COORDINATION HAS IMPROVED, CHRONIC TECHNICAL AND MANAGEMENT DEFICIENCIES PERSIST IN BOTH MANILA CENTRAL AND REGIONAL OFFICES. CURRENTLY, APPROXIMATELY HALF OF POPCOM'S SENIOR POSITIONS IN THE CENTRAL OFFICE AND RESEARCH UNIT ARE VACANT. LOW PAY AND THE BUREAUCRATIC NATURE OF ITS OPERATIONS ARE GIVEN AS MAIN REASONS, ALTHOUGH OFFICES WERE PROBABLY OVERSTAFFED TO BEGIN WITH. FORTUNATELY, THE REGIONAL

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AND PROVINCIAL OFFICES HAVE BEEN ABLE TO PERFORM AT A LEVEL SUPERIOR TO THE SUPPORT PROVIDED AT THE CENTRAL OFFICE. IN THE EARLY YEARS, PRIVATE ORGANIZATIONS PROVIDED THE BULK OF CONTRACEPTIVE SERVICES, MAINLY IN URBAN AREAS. IN 1971, THE DEPARTMENT OF HEALTH WAS AUTHORIZED TO ADD FAMILY PLANNING SERVICES TO ITS 1,400 RURAL HEALTH UNITS. BY 1976, SOME 3,000 CLINICS AND HOSPITALS WERE OFFERING SUCH SERVICES. GOP FINANCIAL SUPPORT INCREASED FROM A NEGLIGIBLE AMOUNT IN 1970 TO NEARLY \$4.0 MILLION IN 1977. OVER THE DECADE 1970-1980, ESTIMATED GOP SUPPORT WILL TOTAL OVER \$70 MILLION, OF WHICH AROUND \$30 MILLION WILL BE LINKED TO THE AID PROJECT.

IN 1973, THE GOP RECEIVED A 5-YEAR, \$25 MILLION LOAN FROM THE WORLD BANK TO DEVELOP PRIMARY HEALTH CARE AND FAMILY PLANNING DELIVERY SYSTEMS IN RURAL AREAS. ALTHOUGH 65 PERCENT OF THE FUNDS ARE FOR CONSTRUCTION, 5,000 MIDWIVES HAVE BEEN TRAINED AND DEPLOYED TO BARRIOUS. UNFORTUNATELY, THE BANK PROJECT HAS NOT BEEN ABLE TO TRAIN MIDWIVES FULLY IN THE FAMILY PLANNING TECHNOLOGY WE BELIEVE CONSISTENT WITH THEIR PROFESSION. THE BANK IS PRESENTLY IN THE PROCESS OF DEVELOPING FOLLOW-ON ACTIVITY IN THIS AREA. UNITED NATIONS FUND FOR POPULATION ASSISTANCE CONTINUES RELATIVELY MINOR SUPPORT TO POPCOM EFFORTS (SEE REF C). CUMULATIVE CONTRIBUTIONS TO DATE TOTAL NEARLY \$10 MILLION.

THE PHILIPPINE PROGRAM HAS BENEFITED CONSIDERABLY FROM SIMILAR AID-FUNDED PROGRAMS IN INDONESIA AND THAILAND. WITHIN NINE YEARS THE PROGRAM HAS EVOLVED FROM LIMITED, PIECE-MEAL CONDOM DISTRIBUTION AND IUD EFFORTS BY VOLUNTARY ORGANIZATIONS TO A NATIONWIDE GOVERNMENT-LED PROGRAM EMBRACING A VARIETY OF CONTRACEPTIVE METHODS, INCLUDING VOLUNTARY STERILIZATION BY FILIPINOS IS VIEWED AS THE MAJOR UNEXPECTED RESULT OF THE PROJECT. WIDESPREAD RESISTANCE TO ADOPTION OF

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THIS IRREVERSIBLE TECHNIQUE HAD BEEN ANTICIPATED.

THE ENDORSEMENT AND SUPPORT GIVEN TO THE PROGRAM BY THE GOP IN 1970 WAS IN RETROSPECT CRITICAL. IT SHARPLY ACCELERATED SPREAD OF THE PROGRAM. SCHOOLS OF MEDICINE, NURSING, MID-WIFERY, ALLIED MEDICAL PROFESSIONS AND SOCIAL WORK ARE NOW REQUIRED TO INTEGRATE FAMILY PLANNING INTO THEIR CURRICULA AND TO MAKE FAMILY PLANNING INSTRUCTION A PREREQUISITE TO GRADUATION.

THE ORIGINAL AID-SUPPORTED PROJECT CLEARLY MET ORIGINAL OBJECTIVES OF GAINING PUBLIC ACCEPTANCE FOR FAMILY PLANNING PROGRAMS, TESTING ALTERNATIVE SERVICE DELIVERY SYSTEMS AND GENERATING GOVERNMENT INTEREST AND SUPPORT. THE INFRA-STRUCTURE IS NOW IN PLACE TO ACHIEVE THE LARGER OBJECTIVE OF EXTENDING AN EFFECTIVE PROGRAM TO ALL MARRIED COUPLES IN THE PHILIPPINES. IT REMAINS TO BE SEEN WHETHER THE BROADER EFFORT WILL BE AS SUCCESSFUL AS THE INITIAL ONE. THE OUTLOOK IS PROMISING.

3. AGRARIAN REFOR (AD)

THIS IS AN AID-FUNDED PROJECT SUPPORTING THE OVERALL GOP AGRARIAN REFORM PROGRAM. IT WAS INITIATED IN FY 1974, AND

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WILL END IN FY 1978. TOTAL AID FUNDING PROVIDED IS \$2.4 MILLION, ALL OF WHICH HAS BEEN OBLIGATED EXCEPT USDH SALARIES FOR REMAINDER FY 1978. GOP BUDET SUPPORT IS ABOUT \$25 MILLION ANNUALLY, EXCLUDING \$15 MILLION PAID OUT ANNUALLY IN LANDLORD

COMPENSATION.

THIS PROJECT WAS DESIGNED FOR THE LIMITED OBJECTIVE OF HELPING THE GOP DEVELOP EFFICIENT TECHNIQUES FOR IMPLEMENTING THEIR PROGRAM. THE PROJECT HAS BEEN SUCCESSFUL IN DEVELOPING IMPROVEMENTS IN THE PHYSICAL PROCESSING OF LAND REFORM CLAIMS AND ISSUANCE OF CERTIFICATES OF LAND OWNERSHIP IN THE FOUR PROVINCES IN WHICH IT OPERATES. IT IS NOT A MAJOR DETERMINANT OF THE PACE OF LAND REFORM NATIONWIDE, WHICH HAS LOST ITS EARLIER MOMENTUM, THIS IS A DECISION MADE SOLELY BY THE GOP BASED ON POLITICAL AND ECONOMIC CONSIDERATIONS.

THE PROJECT HAS REACHED SOME 2560,000 SMALL TENANT RICE AND CORN FARMERS OR ABOUT 6.6 PERCENT OF FILIPINO FAMILIES ENGAGED IN AGRICULTURE. THESE FAMILIES WILL OWN THE LAND THEY TILL AFTER 15-YEAR AMORTIZATION OF A LOW-INTEREST LOAN. UPON COMPLETION, ABOUT 520,000 TENANTS WILL HAVE BENEFITED, ROUGHLY 20 PERCENT OF TOTAL NUMBER OF FARM UNITS IN THE COUNTRY. DIRECT EMPLOYMENT CREATION EFFECTS ARE NEGLIGIBLE. THE INSTITUTIONAL DEVELOPMENT IMPACT HAS BEEN STRONG INASMUCH AS LAND SURVEYING, MAPPING, UNCLASSIFIED

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TITLING AND REGISTRATION EXPERIENCE GAINED IN IMPLEMENTING THE PROJECT, ARE NOW BEING SUCCESSFULLY APPLIED TO PROGRAMS IN LAND USE CLASSIFICATION, REAL PROPERTY TAX ADMINISTRATION, AND REGIONAL PLANNING. THE CHIEF IMPLEMENTING INSTITUTION, THE DAR (DEPARTMENT OF AGRARIAN REFORM) HAS NOT EMERGED AS A WELL-ADMINISTERED, EFFICIENT ORGANIZATION, LARGELY BECAUSE OF ITS LIMITED CAPACITY TO DEAL WITH UNFROESEN ADMINISTRATIVE AND POLITICAL OBSTACLES.

THE RATHER MODEST LEVEL OF USAID ASSISTANCE HAS NOT PROVIDED MUCH LEVERAGE FOR INFLUENCING OR SHAPING GOP AGRARIAN REFORM POLICIES IN GENERAL. THE GOP HAS SET ITS OWN PRIORITIES PRIMARILY ON THE BASIS OF POLITICAL CONSIDERATIONS. THE USAID PROJECT ADDRESSES ONLY THE TECHNICAL AND ADMINISTRATIVE MECHANICS OF LAND TRANSFER. IN MID-1976, SCOPE OF AID EFFORTS WERE REDUCED TO FOCUS ON FOUR PILOT PROVINCES, WHERE IT WAS TO DEMONSTRATE WAYS TO EXPEDITE OVERALL PROGRAM, WHICH HAD BEGUN TO LAG. THE PROGRAM MOVED WELL WHEN IT INVOLVED BREAKING UP LARGE LAND HOLDINGS, BUT ONCE THE LEVEL OF EFFORT GOT DOWN TO SMALLER PLOTS (7 TO 20 HECTARES), PROGRESS SLOWED APPRECIABLY. THUS, ALTHOUGH THE AID PROJECT ACHIEVED ITS PURPOSE OF TRANSFERRING OPERATIONAL KNOW-HOW, IT APPEARS THAT THE GOP WAS OVERLY AMBITIOUS IN SETTING ITS ORIGINAL TARGETS, AND DID NOT AT THE OUTSET REALISTICALLY APPRIASE THE DIFFICULTIES RELATED TO BREAKING UP THE LARGE NUMBER OF SMALLER HOLDINGS. HOWEVER, GOP OBJECTIVES SHOULD NOT BE CONFUSED WITH THE MUCH MORE MODEST OBJECTIVES OF THE PROJECT.

4. FOOD AND NUTRITION (AID)

AID ASSISTANCE BEGAN IN 1974; IT IS SCHEDULED TO TERMINATE
IN 1984. TOTAL US FUNDING PLANNED IS \$266 MILLION, COMPRISED OF
\$7 MILLION AID GRANTS AND THE BALANCE IN PL 480 TITLE II COMMO-
DITIES. US FUNDING WILL REPRESENT SOME 57 PERCENT OF TOTAL PROGRAM
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COST. THERE ARE TWO MAIN PROGRAMS, ONE AIMED AT PRE-SCHOOL
CHILDREN AND MOTHERS, THE SECOND AT PUBLIC ELEMENTARY SCHOOL
CHILDREN UP TO 12 YEARS OLD.

THIS IS NOT THE KIND OF PROGRAM WHICH ASSISTS THE POOR
TO IMPROVE THEIR LOT PRIMARILY THROUGH THEIR OWN EFFORTS. IT IS
DESIGNED TO PRESERVE LIFE; TO REDRESS SOCIAL AND ECONOMIC
INEQUITIES TEMPORARILY, UNTIL THE MORE SLOWLY EMERGING ECONOMIC
INTERVENTIONS DESIGNED TO PERMIT THEM TO EARN THEIR OWN WAY
BECOME AVAILABLE. THE PROJECT VERY SUCCESSFULLY RESTORES
TO HEALTH THOSE IT REACHES FOR 18 TO 24 CONSECUTIVE MONTHS.
REGRETABLELY, LIMITED RESOURCE AVAILABILITIES HAVE THUS FAR
RESTRICTED BENEFITS TO 25 PCT OF THE CHILDREN AND MOTHERS REQUIRING
THIS ASSISTANCE. THE NATIONAL NUTRITION CENTER (NNC) STILL
REQUIRES EXTENSIVE SUPPORT FROM US VOLUNTARY AGENCIES TO PLAN
AND MANAGE THE PROGRAM.

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THE TARGETTED MATENAL AND CHILD HEALTH (TMCH)
PROGRAM BASICALLY INVOLVES DISTRIBUTING NUTRITIOUS FOODS

(425 CALORIES AND 20 GRAMS OF PROTEIN) DIRECTLY TO THE POOR AND NEEDY, PRIMARILY SERIOUSLY MALNOURISHED PRE-SCHOOL CHILDREN AND PREGNANT OR LACTATING MOTHERS. CURRENTLY, IT IS REACHING ABOUT 600,000 BENEFICIARIES DAILY. THIS REPRESENTS ABOUT 22 PERCENT OF THOSE CONSIDERED ELIGIBLE. MOTHERS ALSO GET INSTRUCTION ON GOOD NUTRITIONAL PRACTICES AND FAMILY PLANNING METHODS. BENEFICIARIES COME FROM FAMILIES WITH AVERAGE PER CAPITA INCOMES OF \$75 PER YEAR OR LESS. THROUGH EXPANSION OF OUTREACH CAPABILITY, PROGRAM IS EXPECTED TO REACH UP TO 75 PERCENT OF POTENTIAL BENEFICIARIES WITHIN NEXT FIVE YEARS PROVIDED US AND GOP RESOURCES ARE MADE AVAILABLE AS REQUIRED.

THE SCHOOL FEEDING PROGRAM DELIVERS A 300 CALORIE NUTRIBUN TO MALNOURISHED ELEMENTARY SCHOOL CHILDREN THROUGHOUT THE COUNTRY THROUGH A SUPPLEMENTAL SCHOOL FEEDING PROGRAM OPERATED BY THE DEPARTMENT OF EDUCATION. THIS EFFORT IS CURRENTLY REACHING OVER 1 MILLION CHILDREN GRADES ONE THROUGH SIX, OR ABOUT 25 PCT. OF THOSE REQUIRING ASSISTANCE. WASHINGTON RECENTLY APPROVED AN EXPANSION OF RESOURCES SUFFICIENT TO REACH 1.3 MILLION CHILDREN THIS YEAR. WFP ALSO PLANS A SCHOOL FEEDING PROGRAM FOR 1 MILLION CHILDREN IN MINDANAO. THE PLANNED ULTIMATE TARGET IS 4 MILLION WITHIN THE NEXT FIVE YEARS.

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YEARS FOR THE NATIONAL PROGRAM.

IMPLEMENTATION OF THESE PROGRAMS INVOLVES EMPLOYMENT OF A LARGE NUMBER OF PEOPLE, INCLUDING AT PRESENT SOME 2,300 NUTRITIONISTS, NUTRITION AIDES AND DIETICIANS, 2,000 DAY CARE CENTER WORKERS, 200 PROFESSIONAL ADMINISTRATIVE STAFF, SEVERAL HUNDRED OUT-OF-SCHOOL YOUTH WHO WORK IN BAKERIES OR PROGRAM-RELATED CONSTRUCTION, AND SEVERAL THOUSAND CASUAL WORKERS.

THE NATIONAL NUTRITION COUNCIL AND THE NATIONAL NUTRITION CENTER OF THE PHILIPPINES ARE THE POLICY-MAKING AND MANAGEMENT ORGANS OF THE PROGRAM. THEY HAVE BEEN OPERATIONAL FOR ONLY TWO AND ONE HALF YEARS; IT IS STILL RATHER EARLY TO ASSESS THEIR INSTITUTIONAL STRENGTH AND DURABILITY. AT PRESENT, BOTH ORGANIZATIONS ARE RECOGNIZED FOR PLANNING ABILITY, BUT NNC COULD NOT IMPLEMENT THE PROGRAM REQUIRED BY THE SITUATION WITHOUT OUTSIDE ASSISTANCE, PARTICULARLY BY THE US VOLAGES. HOWEVER, ON THE BASIS OF PERFORMANCE TO DATE, AID/W HAS BEEN PROMPTED TO USE PHILIPPINE NUTRITION PROGRAM AS MODEL OR VENUE FOR TRAINING WORKERS FROM NEIGHBORING COUNTRIES IN NUTRITION PLANNING AND PROGRAMMING. THE UNITED NATIONS HAS SELECTED THE NNC AS ONE OF ITS GLOBAL UN UNIVERSITY CAMPUSES FOR TRAINING OTHER NATIONALS. THE PHILIPPINE CENTER HAS BEEN SELECTED AS THE TEMPORARY ASEAN HEADQUARTERS FOR NUTRITION. DEPARTMENT OF EDUCATION MANAGEMENT OF THE SCHOOL

FEEDING PROGRAMS HAS BEEN OUTSTANDING.

THE PROGRAM HAS ONLY BEEN PARTIALLY SUCCESSFUL IN MOBILIZING DOMESTIC SUPPORT. RECIPIENTS, UNLESS DESTITUTE, CONTRIBUTE A TOKEN SHARE OF THE VALUE OF FOOD RECEIVED. FOR EXAMPLE, SCHOOL CHILDREN WHO CAN AFFORD IT CONTRIBUTE ABOUT TEN CENTAVOS (ONE AND A HALF CENTS) FOR THEIR NUTRIBUN, WHICH UNCLASSIFIED

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AMOUNTS TO ABOUT \$2 MILLION PER YEAR. LOCAL JURISDICTIONS CONTRIBUTE ABOUT \$1.5 MILLION ANNUALLY TO SUPPORT TMCH. ALTHOUGH PRECISE DATA ARE NOT AVAILABLE, IT IS KNOWN THAT PRIVATE ORGANIZATIONS, PARTICULARLY CHURCH GROUPS MAKE SUBSTANTIAL CONTRIBUTIONS IN KIND. ON THE NEGATIVE SIDE, GOP FUNDS TO FINANCE IN-COUNTRY TRANSPORTATION OF PL 480 COMMODITIES FOR TMCH HAVE BEEN CHRONICLY DEFICIT; SOME SPECULATE THIS MAY BE A CHURCH/STATE PROBLEM.

BESIDES THE UNITED STATES, THE UN AGENCIES (FAO, UNICEF AND WHO) HAVE PROVIDED TECHNICAL SUPPORT AND TRAINING, AND SOME COMMODITIES. AUSTRALIA AND THE NETHERLANDS HAVE CONTRIBUTED TRAINING GRANTS. THE WORLD BANK IS CONSIDERING A LOAN OF \$3-10 MILLION.

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BEGINNING WITH A 10-PROVINCE EFFORT IN 1972, THE PROGRAM NOW COVERS ALL PROVINCES AND CITIES. BASIC NUTRITION

UNITS HAVE BEEN INSTALLED THUS FAR IN 1500 MUNICIPALITIES, AND ROUGHLY ONE-HEALF OF THE BARANGAYS (VILLAGES). AN EARLY ATTEMPT IN THE 1960'S TO ESTABLISH A NATIONAL NUTRITION NETWORK FAILED BECAUSE OF INSUFFICIENT TECHNICAL BACKSTOPPING AND INDADEQUATE TRAINING. CORRECTION OF THESE TWO DEFICIENCIES IS BEING GIVEN SPECIAL EMPHASIS IN THE CURRENT PROGRAM.

THE PROPOSED OUTREACH PROGRAM SCHEDULED FOR 1979 WILL BENEFIT FROM OUR EXPERIENCE WITH POPULATION OUTREACH AND WILL PROBABLY UTILIZE THE STRUCTURE, AT LEAST AT THE LOCAL LEVEL. THERE ARE NOW ABOUT 80 MUNICIPAL OR PROVINCIAL FOOD PROCESSING CENTERS PRODUCING NUTRIPAKS FROM LOCAL FOODS. PLANS CALL FOR SOME 500 SUCH CENTERS TO BE ESTABLISHED TO PROCESS LOCAL FOOD TO BE PRODUCED AS A SUBSTITUTE FOR CURRENT PL 480 IMPORTS. AT THE END OF EIGHT YEARS, THE GOP HOPES TO VIRTUALLY INDEPNENT OF FOREIGN FOOD CONTRIBUTIONS FOR NUTRITION.

THE PROGRAM HAS BROADENED PUBLIC AWARENESS OF THE EXTENT OF MALNUTRITION IN THE PHILIPPINES. THE COUNTRY'S NEW FIVE-YEAR DEVELOPMENT PLAN FOR 1978-83 INCLUDES A CHAPTER ON NUTRITION. FIVE INTER-SECTORAL WORKING GROUPS ARE REVIEWING THE GOVERNMENT'S POLICIES AND PROGRAMS IN NUTRITION-RELATED UNCLASSIFIED

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AREAS SUCH AS AGRARIAN REFORM, CROPPING, COMMERCIAL FOOD TRADE, AND IRRIGATION, TO DETERMINE WHETHER THEY CAN BE RE-DIRECTED TO IMPACT MORE DIRECTLY ON THE MALNOURISHED POOR. THE NUTRITION PROGRAM HAS SPURRED NATIONAL INTEREST IN VEGETABLE GARDENING, LOCALLY KNOWN AS THE GREEN REVOLUTION, AND HAS SUCCESSFULLY CONVEYED TO RESPONSIBLE OFFICIALS, SUCH AS THE MEMBERS OF THE NATIONAL FOOD AND AGRICULTURE COUNCIL, THE MESSAGE THAT CEREAL PRODUCTION MUST BE BALANCED WITH VEGETABLE/ LEGUME PRODUCTION IF THE COUNTRY'S GOAL OF ADEQUATE NUTRITION FOR ALL IS TO BE MET.

5. DISASTER RELIEF AND REHABILITATION (AD)

AID CONTRIBUTED \$55.6 MILLION FOR DISASTER RELIEF IN 1973 FOLLOWING THE SEVERE TYPHOON-INDUCED FLOODS, AND \$5 MILLION MORE IN 1976 FOLLOWING TYPHOON DIDANG. THE 1973 CONTRIBUTION CONSISTED OF \$50 MILLION GRANT PLUS PL 480 TITLE II RICE VALUED AT \$5.6 MILLION WHICH WAS SOLD UNDER SECTION 206 AND THE LOCAL CURRENCY GENERATED USED TO DEFRAY PART OF THE LOCAL COSTS OF RELIEF OPERATIONS. THE 1976 CONTRIBUTION WAS A \$5 MILLION GRANT. GOP CONTRIBUTIONS, EXCLUDING SUCH INDIRECT COSTS AS BUREAU OF PUBLIC WORKS ENGINEERING AND DESIGN, OVERHEAD, CONTRACTOR PROFIT, RIGHT-OF-WAY, ETC., EQUALLED ABOUT ONE-THIRD OF THE U.S. CONTRIBUTIONS.

THE PROGRAM WAS CONSIDERED ESSENTIAL TO RESTORING

THE EQUITY POSITION SOME HALF A MILLION POOR PEOPLE IN A
200 SQ. MILE AREA INUNDATED BY TYPHOONS IN 1972 AND LATER
REVISITED BY TYPHOON DIDANG IN 1976. THE PROJECT WAS SUCCESS-
FUL LARGELY DUE TO THE RAPIDITY WITH WHICH RESOURCES WERE MADE
AVAILABLE BY THE U.S. AND THE WIDE DISCRETION LEFT TO MISSION
MANAGERS IN THEIR USE. THE GOP DISASTER RELIEF SERVICES WERE
CONSIDERABLY STRENGTHENED BY THE INITIAL PHASE WAS DEMONSTRATED
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BY THIR IMPROVED PERFORMANCE IN THE SECOND. RESPONSE TO STILL
LATER DISASTERS INDICATES ROOM FOR FURTHER IMPROVEMENT.

AS THE DIRECT RESULT OF THE 1972 DISASTER, SOME 400,000
PERSONS WERE LEFT HOMELESS; 230,000 HECTARES OF RICELANDS WERE
INUNDATED; AND MORE THAN 100,000 SMALL-SCALE RICE FARMERS LOST
THEIR CROPS. IT WOULD HAVE BEEN VERY DIFFICULT FOR THE GENERALLY
LOW-INCOME RESIDENTS OF THIS PART OF THE COUNTRY TO RESTORE THE
DAMAGED FACILITIES FROM THEIR OWN RESOURCES. THIS PROGRAM
DEMONSTRATES THE EFFICACY OF FOREIGN ASSISTANCE MADE AVAILALABLE
QUICKLY, WITH APPLICATION LEFT LARGELY TO THE DISCRETION OF ON
SITE MANAGERS WHO CAN RESPOND IMMEDIATELY TO CRITICAL NEEDS
OF DESTITUTE PEOPLE.

RELIEF ACTIVITIES FINANCED WITH AID SUPPORT INCLUDED
EVACUATING HOUSEHOLDERS AND LIVESTOCK FROM FLOODED AREAS;

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CONSTRUCTING TEMPORARY HOUSING, MOBILIZING MASS FEEDING PROGRAMS, PROVIDING MEDICAL CARE AND INOCULATIONS. TO AID IN AGRICULTURAL RECOVERY, SEED AND FERTILIZER WERE DISTRIBUTED. OVER THE LONGER TERM, NEW FLOOD CONTROL STRUCTURES WERE BUILT, ROADS AND BRIDGES WERE RESTORED, AND COMMUNITY CENTERS, SHELTERS, AND TYPHOON-PROOF RURAL CLASSROOMS FOR APPROXIMATELY 240,000 STUDENTS WERE BUILT.

RELIEF AND REHABILITATION EFFORTS EMPLOYED THOUSANDS OF WORKERS, MOST OF WHOM, FOR THE LONGER TERM PROJECTS, WERE UNDEREMPLOYED TENANTS, LANDLESS LABORERS OR WET-SEASON FARMERS.

THE 1972 RELIEF AND REHABILITATION EFFORT RESULTED IN CONSIDERABLE STRENGTHENING OF THE GOP'S OWN DISASTER RELIEF SERVICES. THIS WAS VIVIDLY DEMONSTRATED IN 1976 WHEN ONLY MODEST OUTSIDE ASSISTANCE WAS NEEDED DESPITE THE EXTENSIVE DAMAGE CAUSED BY TYPHOON DIDANG. THE INITIAL RELIEF EFFORT ALSO GENERATED PROVINCIAL INSTITUTION-BUILDING PROGRAMS LATER EXPANDED UNDER THE AID-SUPPORTED PROVINCIAL DEVELOPMENT ASSISTANCE PROGRAM (PDAP), WHICH INCLUDED TRAINING OF PROVINCIAL ENGINEERING STAFFS, MOTOR POOL DEVELOPMENT, AND GENERAL ORGANIZATION AND MANAGEMENT TRAINING.

DOMESTIC RESOURCE MOBILIZATION WAS VERY EFFECTIVE
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FOLLOWING BOTH DISASTERS. THE GOVERNMENT INITIATED ACROSS THE BOARD BUDGET CUTS IN ALL REGULAR DOMESTIC PROGRAMS TO OBTAIN FUNDS FOR DISASTER RELIEF AND REHABILITATION. SUBSEQUENTLY, AN AID-REIMBURSEMENT SYSTEM WAS INAUGURATED WHEREBY THE GOP IMMEDIATELY FINANCED RECONSTRUCTION. AS EACH DISCRETE SEGMENT OF A PROJECT WAS COMPLETED ACCORDING TO APPROVED PLANS AND SPECIFICATIONS, AID FUNDS WERE RELEASED. THE CONTINGENCY ASPECT OF THIS PROCEDURE HELP TO ENSURE THAT ADEQUATE GOP FUNDS WERE BUDGETED AND PROVIDED ON A TIMELY BASIS.

FOREIGN ASSISTANCE WAS IMMEDIATE AND SUBSTANTIAL. IN ADDITION TO THE AID GRANT, CASH CONTRIBUTIONS WERE RECEIVED FROM A NUMBER OF COUNTRIES AND CHANNELLED TO NEEDY VICTIMS THROUGH PRIVATE PHILIPPINE VOLUNTARY ORGANIZATIONS. THOUSANDS OF TONS OF RICE WERE DONATED BY OTHER ASIAN COUNTRIES, AND SOME 25,000 TONS WERE MADE AVAILABLE FROM U.S. L 480 TITLE II STOCKS. THE WORLD BANK ACCELERATED A ROAD IMPROVEMENT PROJECT IT HAD JUST STARTED, AND EXPANDED IT TO INCLUDE ADDITIONAL ECONDARY ROADS.

THE SPECIFIC OBJECTIVES OF THE PROGRAM WERE EFFECTIVELY ACHIEVED, INCLUDING AGRICULTURAL RECOVERY DURING NEXT CROPPING SEASON AND RESTORATION INFRASTRUCTURE IN RELATIVELY SHORT ORDER. THE STRUCTURES REHABILITATED UNDER THE PROGRAM HAVE WITHSTOOD

SUBSEQUENT TYPHOONS AND FLOODS, FORESTALLING HUNDREDS OF MILLIONS OF DOLLARS OF POSSIBLE DAMAGE. THE DEVELOPMENT AND SUCCESSFUL APPLIATION OF THE REIMBURSEMENT METHOD OF PAYMENT WAS AN UNEXPECTED BENEFIT ON THE ADMINISTRATIVE SIDE AND RESULTED IN THE EFFICIENT AND ORDERLY ALLOCATION OF BOTH DOMESTIC AND FOREIGN RESOURCES. ANOTHER LASTING EFFECT OF DISASTER RELIEF PROGRAM HAS BEEN CONTINUATION BY THE GOP OF THE CONSTRUCTION OF TYPHOON-PROOF SCHOOL BUILDINGS USING THE DESIGN DEVELOPED IN CONNECTION WITH THE REHABILITATION PROGRAM.

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6. INTERNATIONAL RICE RESEARCH INSTITUTE (AID)

AID MADE ITS INITIAL CONTRIBUTION TO THIS PROGRAM IN 1967. ASSISTANCE IS STILL CONTINUING, TOTALLING \$15.8 MILLION TO DATE. AID IS PRESENTLY FUNDING APPROXIMATELY ONE-THIRD OF THE IRRI BUDGET, INCLUDING RESEARCH ON THE DEVELOPMENT AND EXTENDED PRODUCTION OF SMALL-SCALE AGRICULTURAL EQUIPMENT AND ON INCORPORATING RESEARCH INTO THE PHILIPPINE RICE PRODUCTION PROGRAM.

IN TERMS OF BENEFICIAL ECONOMIC IMPACT ON HUNDREDS OF MILLIONS OF POOR RICE PRODUCERS AND CONSUMERS THROUGHOUT THE DEVELOPING WORLD, WE CONSIDER THIS PROJECT TO STAND IN A CLASS BY ITSELF. TO US IT REPRESENTS THE IDEAL OF A REGIONAL RESEARCH PROJECT MAKING CURRENT TECHNOLOGY EFFECTIVELY AVAILABLE TO THE MILLIONS OF SMALL FARMERS PRODUCING ASIA'S RICE CROP, WHILE PUSHING RESEARCH FRONTIERS STILL FURTHER FORWARD. MACRO-

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ECONOMIC INDICATORS DEMONSTRATE THAT IN COUNTRIES LIKE THE PHILIPPINES, ITS CONTRIBUTIONS TO STRENGTHENING NATIONAL ECONOMIES WHERE RICE IS THE BASIC CEREAL, ARE AS SIGNIFICANT AS ITS IMPACT ON INDIVIDUAL SMALL PRODUCERS.

THE NEW DISEAS AND INSECT-RESISTANT, HIGH-YIELDING RICE VARIETIES (HYV) DEVELOPED AT IRRI HAVE RESULTED IN SIGNIFICANTLY HIGHER PRODUCTION IN A NUMBER OF COUNTRIES WHERE THESE VARIETIES HAVE BEEN SUCCESSFULLY ADAPTED. NEARLY ALL RICE GROWERS IN ASIA OPERATE SMALL FARMS. THEY HAVE BENEFITED BECAUSE OF THE HIGHER PRODUCTIVITY ACHIEVED, AND INCREASED MARGIN OF PROFIT. THE HYV TECHNOLOGY REQUIRES ABOUT 35 PCT. MORE LABOR ON THE AVERAGE THAN THE TRADITIONAL METHODS CREATING EMPLOYMENT FOR LANDLESS LABORERS. IN THE PHILIPPINES ALONE, HYVS ACCOUNT FOR MORE THAN 70 PERCENT OF THE 3.6 MILLION HECTARES CURRENTLY PLANTED TO RICE. SOME 90 PERCENT OF THESE NEW VARIETIES WERE DEVELOPED BY IRRI. THUS, IRRI RESEARCH HAS DIRECTLY BENEFITED AT LEAST 9 MILLION RURAL FILIPINOS.

ALTHOUGH NATIONAL STATISTICAL DATA ARE NOT AVAILABLE, THERE ARE CLEAR INDICATIONS THAT, IN ADDITION TO THE INCREASED NEEDS FOR LABOR TO TEND THE NEW VARIETIES, SUBSTANTIAL NUMBERS OF OFF-FRAM JOBS HAVE BEEN CREATED AS A RESULT OF THE INCREASED DEMANDS FOR PRODUCTION CREDIT, SUPPLY OF PRODUCTION INPUTS, UNCLASSIFIED

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MARKETING, HANDLING, STORAGE AND SMALL-SCALE MECHANIZATION THAT HAVE BEEN INDUCED BY THE NEW HYV PRODUCTION TECHNOLOGY.

IRRI MUST BE CONSIDERED ONE OF THE MOST SUCCESSFUL INSTITUTIONS ESTABLISHED TO PROMOTE DEVELOPMENT. IT HAS ALREADY BROUGHT SUBSTANTIAL DIRECT BENEFITS TO HUNDREDS OF MILLIONS OF POOR RICE PRODUCERS AND CONSUMERS THROUGHOUT THE DEVELOPING WORLD. IT HAS BEEN VERY EFFECTIVE IN OBTAINING INTERNATIONAL SUPPORT FOR ITS RESEARCH PROGRAM AND OPERATIONS. SINCE ESTABLISHMENT IN 1960, FUNDING HAS BEEN PROVIDED BY THE ROCKEFELLER AND FORD FOUNDATIONS AND, CURRENTLY, BY FIFTEEN COUNTRIES, IDA, UNDP AND NUMEROUS OTHER PRIVATE FOUNDATIONS AND CORPORATIONS.

IRRI IS EFFECTIVELY SERVING ITS BASIC PURPOSE OF CONDUCTING PRODUCTION ORIENTED RICE RESEARCH. PRIORITIES AND EMPHASIS ARE CONTINUALLY MODIFIED AS NECESSARY AS NEW VARIETIES EMERGE, NEW PROBLEMS ARISE, NEW DISEASES ARE DISCOVERED. RECENT RESEARCH HAS INCLUDED WORK ON DEVELOPING IMPROVED VARIETIES FOR DEEP WATER RICE AND UPLAND RICE, BOTH OF WHICH ARE GOWN LARGELY BY SMALL-SCALE LOW-INCOME FARMERS. PRIORITY

IS ALSO BEING GIVEN TO THE DEVELOPMENT OF INSECT AS WELL AS
DISEASE-RESISTANT VARIETIES, AND TO THE DEVELOPMENT OF
MULTIPLE CROPPING SYSTEMS.

SIGNIFICANT UNEXPECTED RESULTS INCLUDE THE MODIFICATION
OF HYV RICE-GROWING PRACTICES TO ALLOW SIMULTANEOUS RICE-FISH
PRODUCTION; THE DEVELOPMENT OF A VARIETY OF FARM TOOLS AND
EQUIPMENT APPROPRIATE FOR SMALL-SCALE PRODUCTION; AND CREATION
OF THE WORLD'S LARGEST RICE-GERM PLASM COLLECTION TO SERVE AS
THE GENETIC BASE FOR THE DEVELOPMENT OF VARIETIES ADAPTABLE TO
VARYING CONDITIONS THROUGHOUT THE WORLD.

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IRRI CONDUCTS EXPERIMENTS AND DEMONSTRATION PROJECTS
NOT ONLY AT ITS PHILIPPINE LOCATION, BUT THROUGHOUT ASIA IN
COLLABORATION WITH NATIONAL GOVERNMENTS. IRRI TECHNICIANS ARE
LOCATED IN SEVERAL RICE-GROWING COUNTRIES TO ASSIST IN ADOPTING
AND SPREADING HYV-BASED TECHNOLOGY. ABOUT ONE-FOURTH OF THE
WORLD'S RICE LANDS ARE CURRENTLY PLANTED TO RICE OF TYPES
DEVELOPED BY IRRI.

THE ADOPTION OF IRRI-DEVELOPED RICE TECHNOLOGY HAS
INDUCED CHANGES IN THE EXTENSION, CREDIT, FERTILIZER AND PRICING
POLICIES IN MANY OF THE WORLD'S RICE-GROWING COUNTRIES. A
MASSIVE EFFORT WAS INITIATED IN THE PHILIPPINES TO EXTEND IRRI-
DEVELOPED PRODUCTION TECHNIQUES TO SOME 700,000 SMALL FARMERS,
IN CONJUNCTION WITH A SUPERVISED CREDIT PROGRAM CHANNELLED
THROUGH LOCAL BANKS. WHILE CREDIT REPAYMENT HAS BECOME A MAJOR
PROBLEM, THE GOVERNMENT'S COORDINATED EFFORTS HAVE BEEN A MAJOR
FACTOR IN RAISING RICE PRODUCTION TO SELF-SUFFICIENCY LEVELS BY

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1976. THE INCREASED PRODUCTION AND SHORTER GROWING SEASONS MADE POSSIBLE BY THE HYV-BASED TECHNOLOGY HAS ENABLED THE GOP TO ESTABLISH AND MAINTAIN A BUFFER STOCK SYSTEM THAT IS IN TURN MODERATING PRICE FLUCTUATIONS AND ASSURING AVAILABLE SUPPLIES TO CONSUMERS YEAR-ROUND.

7. CATABATO IRRIGATION (ADB)
ADB CONTRIBUTED \$2.5 MILLION TO THIS PROJECT IN 1969, APPROXIMATELY 38 PERCENT OF THE TOTAL COSTS OF A PROJECT COVERING ABOUT 9,000 HECTARES OF IRRIGABLE LAND IN THE PROVINCES OF COTABATO AND SOUTH COTABATO ON THE ISLAND OF MINDANAO, AN AREA RELATIVELY NEGLECTED IN THE PAST AND POLITICALLY DIFFICULT AT THIS TIME. A TOTAL OF ALMOST 4,700 FARM FAMILIES WITH OVER 32,000 PERSONS ARE DIRECTLY AFFECTED BY THE PROJECT. AVERAGE SIZE LAND HOLDINGS ARE ABOUT 2 HECTARES OF RICE AND CORN LAND. IN 1969, LAND TENANCY WAS 40 PERCENT OF THE LAND HOLDINGS AND WAS GROWING. LIMITED IRRIGATION FACILITIES AND TRADITIONAL FARMING PRACTICES RESULTED IN POOR CROP YIELDS, E.G., PADDY YIELDS WERE LESS THAN HALF A POTENTIAL WITH IRRIGATION AND CORN ABOUT TWO-THIRDS OF IRRIGATED YIELDS.

THIS PROJECT IS ONE OF THE MORE SUCCESSFUL OF ITS TYPE TO DATE. IT HAS A LIMITED AREA OF ABOUT 9,000 IRRIGABLE HECTARES WITH ABOUT 2,600 FAMILIES AND 17,000 PEOPLE AT INCEPTION. THE UNCLASSIFIED

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RPROJECT HAS EXCEEDED ORIGINAL TARGETS BOTH IN TERMS OF THE NUMBER OF BENEFICIARIES, WHICH ALMOST DOUBLED, AND THE EXTENT OF THEIR ECONOMIC BENEFITS. TOTAL NET ANNUAL FARM INCOME IN THE PROJECT AREA, PROJECTED TO RISE IN SEVEN YEARS FROM \$106.000 PER FAMILY TO \$427.00, ACTUALLY INCREASED TO ABOUT \$830.00. ITS POSSIBLE LIMITATION IS THE RELATIVELY HIGH RESOURCE ALLOCATION (\$6.6 MILLION) TO BENEFIT A RELATIVELY SMALL NUMBER OF THE COUNTRY'S POOR FARMERS, IN A RESTRICTED AREA, AFTER A RELATIVELY LONG IMPLEMENTATION PERIOD. FURTHER DEVELOPMENT OF THE PROJECT AREA IS BEING HAMPERED BY AN UNFAVORABLE PEACE AND ORDER SITUATION.

THE FARMERS IN MINDANAO ARE PPOR EVEN BY PHILIPPIN STANDARDS. THE LACK OF FEEDER ROADS AND DIFFICULT ACCESS TO MARKETING SERVICES AND IRRIGATION WORKS ARE DISINCENTIVES TO FARMERS. DESPITE ITS REMOTENESS, HOWEVER, MINDANAO'S POPULATION IN THE PERIOD 1960-1970 INCREASED AT A RATE OF ABOUT 4.8 PERCENT ANNUALLY DUE PRIMARILY TO IN-MIGRATION, MAINLY POOR FARMERS FROM SUBSISTENCE AGRICULTURAL LANDS IN OTHER PARTS OF THE

PHILIPPINES.

WITH A POPULATION DENSITY ABOUT HALF THAT OF THE COUNTRY AS A WHOLE, THE COTABATO AREA HAS CONSIDERABLE SCOPE FOR FURTHER POPULATION EXPANSION, PROVIDED THAT APPROPRIATE INFRA-STRUCTURE IS ESTABLISHED TO MEET BASIC NEEDS. THIS PROJECT, TOGETHER WITH ADB ROAD AND POWER LOANS AND THE JAPANESE HIGH-WAY LOAN CONSTITUTE A SIGNIFICANT ELEMENT IN UPGRADING THE LIVES OF PEOPLE IN THE AREA.

DATA ARE NOT AVAILABLE REGARDING THE CREATION OF EMPLOYMENT AS A RESULT OF THE PROJECT. HOWEVER, IN ADDITION TO REDUCING UNDEREMPLOYMENT ON THE FARMS IN THE PROJECT AREA, A NUMBER OF ANCILLARY SERVICES HAVE EMERGED. PRIVATE ENTREPRENEURS ARE NOW ENGAGED IN CONTRACTING LAND PREPARATION AND HARVESTING,
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CANAL CONSTRUCTION AND MAINTENANCE, RICE AND CORN STORAGE AND HAULING, PESTICIDES AND FERTILIZER SALES AND DISTRIBUTION, ALTHOUGH THE EXTENT OF THESE ACTIVITIES HAS NOT BEEN ASSESSED.

THE COTABATO IRRIGATION PROJECT WAS THE FIRST ONE FINANCED BY AN INTERNATIONAL FINANCING INSTITUTION FOR THE NATIONAL IRRIGATION ADMINISTRATION (NIA). IN ACT, THE PROJECT WAS ONLY THE SECOND IN THE PHILIPPINES BY THE NEWLY FORMED ADB. IN VIEW OF THE PAUCITY OF EXPERIENCE OF THOSE INVOLVED, SERIOUS ATTENTION WAS GIVEN TO THE COORDINATION OF AGENCIES DIRECTLY INVOLVED IN AGRICULTURE PRODUCTION IN THE PROJECT AREA. AS A RESULT, THE AGRICULTURAL DEVELOPMENT ACTION PROGRAM FOR COTABATO IRRIGATION PROJECT (ADAP-CIP) WAS ESTABLISHED. ALL RELEVANT AGENCIES WERE EFFECTIVELY COORDINATED THROUGH THIS MECHANISM AND, IN ADDITION, ADAP-CIP BECAME A FORERUNNER OF THE MASAGANA 99 PROGRAM,

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A NATIONWIDE PROGRAM FOR THE PROMOTION OF PADDY PRODUCTION. ANOTHER INSTITUTIONAL FEATURE OF THE PROJECT WAS THE INCLUSION OF PILOT FARMS WHICH ARE FUNCTIONING AS MODELS OF IMPROVED FARMING PRACTICES FOR FARMERS IN THE PROJECT AREA. WHILE THE AGRICULTURE EXTENSION SERVICE WAS IN EXISTENCE AT THE TIME, THE PROJECT LOAN FOCUSED SPECIAL ATTENTION ON TRAINING ITS STAFF, INCREASING ITS NUMBERS, AND ASSURING THEIR MOBILITY IN THE FIELD. AT THE TIME OF THE EX-POST EVALUATION IN 1976, IT WAS NOTED THAT ALL OF THE INSTITUTIONS FOSTERED BY THE LOAN WERE STILL OPERATING EFFECTIVELY.

AS THE PROJECT IS A JOINT ADB/PHILIPPINE GOVERNMENT PROJECT IT DID NOT NECESSITATE COORDINATION WITH OTHER DONORS. HOWEVER, THE USAID, JAPANESE, UNDP AND OTHER DONORS, AS A MATTER OF POLICY, EXCHANGE INFORMATION ON THEIR PLANS FOR THE AREA REGULARLY. JAPAN IS INTERESTED IN PROVIDING ASSISTANCE TO REPLICATE THE SUCCESSFUL COTABATO IRRIGATION SCHEME IN AREAS WHERE TRADITIONAL AGRICULTURE AND LOW FARM INCOMES PREVAIL IN THE MINDANAO REGION. IN 1977 JAPAN MADE A \$5.4 MILLION GRANT FOR FERTILIZER TO FURTHER INCREASE FOOD PRODUCTION IN THE AREA.

THE PROJECT'S INFLUENCE OVER GOVERNMENT POLICIES IS REFLECTED IN GOVERNMENT'S DECISION TO REVIVE AGRICULTURE AREA. THE PROJECT ALSO INFLUENCED THE GOVERNMENT IN SETTING UP UNCLASSIFIED

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AGRICULTURAL CREDIT INSTITUTIONS TO ASSIST FARMERS PROCURE THE NECESSARY AGRICULTURE INPUTS.

WHILE LAND REFORM IN THE PROJECT AREA WAS NOT DEEMED AN ABSOLUTE REQUIREMENT WHEN THE LOAN WAS APPRAISED IN 1969, IT BECAME EVIDENT SHORTLY THEREAFTER THAT THE POTENTIAL FOR THE HIGHLY PRODUCTIVE IRRIGATED AREA BEGAN TO ATTRACT LARGE LAND OWNER WHO WOULD HAVE PERPETUATED A LAND TENANCY AGRICULTURE SYSTEM THAT EFFECTIVELY DEPRIVED LAND TILLERS OF THEIR OWNERSHIP RIGHTS. THE PROBLEM WAS PART OF A COUNTRYWIDE PHENOMENA THAT ULTIMATELY RESULTED IN THE LAND REFORM ACT OF 1972 WHICH WAS DESIGNED TO REVERSE THE TREND TOWARD LAND TENANCY. WHILE SOME LAND TITLES HAVE ALREADY BEEN TRANSFERRED IN THE PROJECT AREA, THE LAND REFORM PROGRAM IS NOT COMPLETELY IMPLEMENTED THERE AT THIS TIME. THE NUMBER OF EXTENSION WORKERS IN THE AREA WAS MORE THAN DOUBLED AND SEASONAL PRICE VARIATIONS FOR PADDY HAVE NARROWED CONSIDERABLY.

AN UNEXPECTED RESULT OF THE PROJECT WAS THE SIGNIFICANT INCREASE IN BANK DEPOSITS IN THE GENERAL ENVIRONS OF THE PROJECT AREA. THE REGION AS A WHOLE HAD AN INCREASE OF 15 PERCENT DURING THE PERIOD (JUNE 1974-75), BUT BANK DEPOSITS IN SOUTH COTABATO GREW AT A RATE OF 63 PERCENT. NET INCOME PER HECTARE IN THE PROJECT AREA INCREASED FROM AN ESTIMATED AVERAGE OF ABOUT \$75 PER HECTAR IN 1969 TO \$450 PER HECTAR FOR IRRIGATED CROPS IN 1975.

ANOTHER UNINTENDED RESULT DEVELOPED FROM FEEDER ROADS WHICH IMPROVED ACCESS TO MARKETS FOR THE PROJECT AREA, WHICH ENABLED FARMERS TO REALIZE AN INCREASED SHARE IN VALUE OF OUTPUT FROM 65 PERCENT OF WHOLESALE VALUE AT THE TIME OF PROJECT INCEPTION IN 1969, TO 90 PERCENT CURRENTLY. OTHER SIGNIFICANT UNINTENDED RESULTS INCLUDE A VERY RAPID GROWTH IN POPULATION

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DUE TO IN-MIGRATION, AND A CONSEQUENT TRIPLING OF THE SCHOOL POPULATION.

8. MANILA URGAN DEVELOPMENT (IBRD)

IN 1976, THE WORLD BANK COMMITTED \$32 MILLION (\$10 MILLION OF WHICH IS TO COME FROM THE THIRD WINDOW) TO THIS FOUR-YEAR PROJECT, THE TOTAL COST OF WHICH IS ESTIMATED AT \$65 MILLION. THE PROJECT HAS SIX BASIC COMPONENTS:

--UPGRADING A 180 HECTARE AREA IN THE TONDO FORESHORE, WITH POPULATION AFTER DEVELOPMENT OF 160,000, BY PROVIDING BASIC URBAN INFRASTRUCTURE AND SERVICES, MATERIALS FOR HOUSE IMPROVEMENT, AND COTTAGE INDUSTRY LOANS, AND INCLUDING 15 HECTARES OF LAND FOR INDUSTRIAL AND COMMERCIAL USE.

-- DEVELOPMENT OF A NEW RESIDENTIAL COMMUNITY FOR ABOUT 20,000.

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-- CONSTRUCTION AND REHABILITATION OF WATER AND
SEWERAGE FACILITIES.

-- CONSTRUCTION IN THE AREA OF MAJOR TRAFFIC ARTERIES
TOTTALLING ABOUT 7.5 KMS.

-- TRAFFIC IMPROVEMENT MEASUREMENTS.

-- TECHNICAL ASSISTANCE TO FOUR GOVERNMENT AGENCIES
INVOLVED IN VARIOUS ASPECTS OF PROJECT EXECUTION.

THIS PROJECT IS TOO NEW TO ASSESS ITS ULTIMATE SUCCESS
OR FAILURE, BUT FROM ALL INDICATIONS, IT IS A GOOD PROJECT. IT
REPRESENTS A NEW DIRECTION IN TACKLING SOME OF THE MAJOR
PROBLEMS FACING METROPOLITAN MANILA, AND IF SUCCESSFUL, SHOULD
DEMONSTRATE THE VIABILITY OF THIS APPROACH FOR UPGRADING THE
STANDARDS OF LIVINF OF THE 3.2 MILLION PERSONS NOW ESTIMATED
TO BE LIVING AT OR BELOW THE MINIMUM SUBSISTENCE LEVEL IN MANILA
AND IN OTHER FAST-GROWING URBAN AREAS. IT DOES HAVE POLITICAL
RISKS, AS WELL AS OTHER RISKS ENTAILED IN DEVELOPING NEW
APPROACHES AND INSTITUTIONS, BUT THESE RISKS HAVE BEEN IDEN-
TIFIED AND ASSESSED. IT IS A REFRESHING AND PROMISING IBRD
DEPARTURE.

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THE PROJECT CLEARLY BENEFITS THE POOR. THE 180,000
PERSONS NOW RESIDING IN THE TONDO FORESHORE AREA ARE AMONG
THE POOREST IN MANILA; MEDIAN FAMILY INCOME IS ABOUT \$576 PER
YEAR AND PER CAPITA INCOME \$87 A YEAR. THE PROJECT AIMS TO
PROVIDE THE INHABITANTS OF THIS MAJOR SLUM AND SQUATTER AREA
WITH SECURE LAND TENURE AND ADEQUATE URBAN SERGICES, SHELTER,
AND SANITATION. IN ADDITION, IT SHOULD STIMULATE CREATION BY THE
PRIVATE SECTOR OF ABOUT 800 JOBS THROUGH THE COTTAGE INDUSTRY
LOAN PROGRAM. IT WILL CREATE THE OPPORTUNITY FOR PRIVATE INVEST-
MENT ON 18.5 HA. OF INDUSTRIAL ESTATE.

THOUGH THE PROJECT IS TOO YOUNG TO FULLY JUDGE ITS
SUCCESS IN INSTITUTION BUILDING, IT HAS THE SPECIFIC OBJECTIVE OF

STRENGTHENING TWO NEW INSTITUTIONS, THE NATIONAL HOUSING AUTHORITY (NHA) AND THE METROPOLITAN MANILA COMMISSION (MMC).

THE MULTIPLIER POTENTIAL OF THIS PROJECT IS SUBSTANTIAL, AND EARLY INDICATIONS ARE THAT IT WILL HAVE IMPORANT EFFECTS ON GOVERNMENT POLICY. THE PROJECT SEEKS TO DEMONSTRATE THAT UPGRADING AND IMPROVEMENT IN SITU HAS ADVANTAGES OVER RESETTLEMENT, WHICH HAS PREVIOUSLY BEEN THE POLICY ADOPTED BY THE GOVERNMENT. THE INTEGRATION OF HEALTH, NUTRITION AND OTHER SOCIAL SERVICE IMPROVEMENTS WITH PHYSICAL IMPROVEMENTS IN WATER SUPPLY, SEWERAGE AND DRAINAGE IS EXPECTED TO DEMONSTRATE AN APPROACH WHICH IS REPLICABLE IN OTHER SLUM AREAS OF MANILA AND OTHER CITIES IN THE PHILIPPINES. IN FACT, FOLLOWING THE INITIAL PROMISE SHOWN BY THIS PROJECT, A SECOND LOAN PROPOSAL IS BEING DEVELOPED BY THE BANK STAFF, TO CARRY OUT SIMILAR PROJECTS IN THE CITIES OF CEBU, DAVAO, AND CAGAYAN DE ORO.

THIS PROJECT PRESENTS NO CONFLICTS WITH OTHER DONOR ACTIVITIES. THE WORLD BANK STAFF IS INTERESTED IN INVOLVING OTHER POTENTIAL DONORS IN SIMILAR OR COMPLEMENTARY PROJECTS, AND UNCLASSIFIED

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BANK OFFICERS IN THE FIELD HAVE FROM TIME TO TIME BRIEFED MISSION OFFICERS ON PROGRESS.

THE PROJECT APPEARS TO BE ON ITS WAY TO MEETING THE SPECIFIC OBJECTIVES SET FORTH ABOVE. IMAGINATIVE RESOLUTION OF SEVERAL ISSUES DURING PROJECT PREPARATION HAS MATERIALLY ENHANCED PROSPECTS FOR SUCCESS:

-- LAND USE. ORIGINAL PROPOSALS INVOLVED RELOCATION OF SOME 70 PERCENT OF RESIDENTS; AFTER MODIFICATION, PRESENT PLANS CALL FOR RELOCATION OF ONLY 500 FAMILIES (LESS THAN TWO PERCENT).

-- DESIGN STANDARDS. STANDARDS OF THE CORE UNITS AND THE SIZES OF LOTS TO BE PROVIDED WERE REDUCED, AND THE USE OF SELF-HELP HOUSE CONSTRUCTION WAS INCREASED IN ORDER TO REDUCE COSTS AND ENSURE AFFORDABILITY.

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-- LAND TENURE. THIS IS A LONG-STANDING POLITICAL
ISSUE; A PRESIDENTIAL DECREE PROVIDES LONG-TERM LEASES TO
RESIDENTS WITH OPTIONS TO PURCHASE AFTER FIVE YEARS.

-- COST RECOVERY. IT IS ESTIMATED THAT \$6.60 PER
MONTH WOULD COVER ALL EXPENSES, INCLUDING LEASE PAYMENT AND
UTILITIES, WHICH WOULD PUT THE AVERAGE LOT IN THE RANGE OF 75
PERCENT OF AREA RESIDENTS.

AT THIS STAGE, PERHAPS THE PRINCIPAL UNFORESEEN
FEATURE OF THE PROJECT HAS BEEN UNFAVORABLE PUBLICITY. THOUGH
PROJECT DESIGNERS RECOGNIZED FROM THE OUTSET THE POTENTIAL
PROBLEMS INHERENT IN THE LAND TENURE ISSUES INVOLVED, RESIDENT
GROUPS HAVE BEEN PARTICULARLY EFFECTIVE IN DRAWING ATTENTION TO
THEIR GRIEVANCES. THE NHA HAS ATTEMPTED TO DEAL WITH THESE
QUESTIONS WITH SENSITIVITY, UNDERSTANDING, AND INVOLVING
COMMUNITY PARTICIPATION, AND MOST AREA RESIDENTS ARE BELIEVED
TO SOLIDLY SUPPORT THE PROJECT. AT THE SAME TIME, ALLEGATIONS
OF MISTREATMENT OF AN IMPORTANT TONDO LEADER (TRINIDAD HERRERA)
BY MILITARY AUTHORITIES MUST BE KEPT IN MIND. EXCESSIVE DISLOCA-
TION HAS ALSO BEEN ATTRIBUTED TO THE PROJECT, BUT PROJECT
DESIGNERS HAVE ATTEMPTED TO MINIMIZE RELOCATION, AND IT IS
DIFFICULT TO IMAGINE HOW IT COULD BE FURTHER REDUCED, CONSISTENT
WITH A MEANINGFUL PROJECT. FINALLY, THE BANK PROJECT HAS
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OCCASIONALLY BEEN ASSOCIATED WITH ANOTHER MODEL HOUSING PROJECT
IN THE AREA (KAPITBAHAYAN) PROMOTED BY METRO MANILA GOVERNOR
IMELDA MARCOS. THIS PROJECT INVOLVES HIGHER-COST HOUSING OUT OF
REACH OF MOST TONDO RESIDENTS EXCEPT ON A HIGHLY SUBSIDIZED
BASIS, AND IS NOT CONNECTED TO THE BANK PROJECT.

9. PRIVATE DEVELOPMENT CORPORATION OF THE PHILIPPINES (PDCP)
IBRD AND ADB)

SINCE ITS INCEPTION, FINANCED BY A \$7 MILLION AID PESO

LOAN IN 1963, PDCP HAS BEEN ENGAGED IN FINANCING MANUFACTURING INDUSTRY, PUBLIC UTILITIES, INTERISLAND TRANSPORT, AND AGRICULTURE AND LIVESTOCK PRODUCTION. PDCP HAS RECEIVED FOUR IBRD LOANS TOTALLING \$95 MILLION, FOUR ADB LOANS TOTALLING \$70 MILLION, AND A \$15 MILLION SYNDICATED LOAN FROM IFC. IN APRIL, 1977, THE IBRD ISSUES A PROJECT PERFORMANCE AUDIT REPORT (DOCUMENT SECM77-360) COVERING ONE OF THE LOANS. THE FOLLOWING ASSESSMENT IS ESSENTIALLY DRAWN FROM THAT REPORT

THIS IS AN EXAMPLE OF AN INSTITUTION FOUNDED WITH AID AND IBRD ASSISTANCE (AID TERMINATED PARTICIPATION SEVERAL YEARS AGO). THE EFFORT PRESENTS A MIXED PICTURE. FINANCIAL AND OPERATIONAL PERFORMANCE HAVE BEEN FULLY SATISFACTORY, AND PDCP HAS DEVELOPED INTO AN EFFECTIVE RELENDING FACILITY. ON THE OTHER HAND, PDCP HAS NOT BEEN VERY EFFECTIVE IN MOBILIZING RESOURCES, THOUGH CONDITIONS AFFECTING ITS ABILITIES IN THIS AREA ARE TO A LARGE EXTENT OUT OF ITS CONTROL. ITS PORTFOLIO HAS TENDED TOWARD REPEAT CLIENTS AND RELATIVELY LARGE-SCALE ENTERPRISES. THE PDCP IS LIKELY TO REMAIN A RATHER SMALL FACTOR IN THE OVERALL INVESTMENT PICTURE.

ALTHOUGH THERE HAS BEEN NO ATTEMPT TO QUANTIFY EMPLOYMENT GENERATION AS A RESULT OF PDCP LENDING, SOME GENERAL CONCLUSIONS CAN BE DRAWN FROM THE NATURE OF PDCP LENDING
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ACTIVITY. AS OF MID-1975, PDCP HAD MADE 303 LAOSN TOTALLING 854 MILLION PESOS (\$116 MILLION). THE SHARE OF MANUFACTURING IN PDCP'S PORTFOLIO INCREASED FROM 49 PERCENT AT THE END OF 1968 TO 66 PERCENT IN 1975, TRANSPORTATION STOOD AT 15 PERCENT, AND ELECTRIC POWER DECLINED FROM 22 PERCENT TO 9 PERCENT IN 1975. BY SIZE OF FIRMS, 67 PERCENT OF THE ASSISTANCE WAS FOR LARGE-SCALE FIRMS (ASSETS \$500,000), 10 PERCENT FOR MEDIUM-SCALE (\$140,000 TO \$500,000), AND 23 PERCENT FOR SMALL-SCALE (BELOW \$140,000). HOWEVER, THE TREND TOWARD FINANCING OF SMALL FIRMS ACCELERATED AFTER 1974. SIGNIFICANTLY, FROM 1968 TO 1975, THE SHARE OF METROPOLITAN MANILA FIRMS IN THE TOTAL PORTFOLIO DECLINED FROM 29 PERCENT TO 17 PERCENT REFLECTING A HEALTHY TREND TOWARD GEOGRAPHIC DISPERSAL. NEVERTHELESS, PDCP'S BUSINESS REMAINED CONCENTRATED IN A RELATIVELY SMALL GROUP OF ESTABLISHED FIRMS, AND PDCP MADE FEW NEW CLIENTS. PDCP ACTIVITIES REPRESENT ONLY ABOUT 1.5 PERCENT OF GROSS

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DOMESTIC CAPITAL FINANCING.

PDCP HAS HOWEVER BECOME AN EFFECTIVE DEVELOPMENT
FINANCING INSTITUTION. ITS APPRAISAL CAPABILITIES ARE RATED HIGH.
PDCP HAS BROUGHT ABOUT A DIVERSIFICATION OF ITS PORTFOLIO IN
TERMS OF BOTH INS INDUSTRIAL AND GEOGRAPHICAL DISTRIBUTION.

PDCP'S MOBILIZATION OF RESOURCES, BOTH LOCAL AND
FOREIGN CURRENCY, HAS BEEN LIMITED. WITH RESPECT TO FOREIGN
CAPITAL, EXCEPT FOR THE \$15 MILLION LOAN SYNDICATED BY IFC AND
A SMALL EXIMBANK FACILITY, ALL OF PDCP'S BORROWINGS HAVE BEEN
OBTAINED ON THE BASIS OF GOVERNMENT GUARANTEES. EFFORTS ARE
CONTINUING TO IMPROVE THIS PICTURE. PDCP DID NOT BORROW LOCAL
CURRENCY RESOURCES, MAINLY BECAUSE THE COST OF SUCH BORROWING
WOULD HAVE EXCEEDED THE RATE OF INTEREST WHICH IT WAS LEGALLY
PERMITTED TO CHARGE. A LIBERATIZATION OF INTEREST RATES IN 1976
COULD IMPROVE ACCESS TO PESO RESOURCES, BUT THIS REMAINS TO BE
SEEN.

MULTIPLIER EFFECTS OF LOANS TO PDCP APPEAR TO BE MINIMAL.
IT HAS SPAWNED NO SIMILAR INSTITUTIONS AND HAS HAD NO IDENTIFIABLE
INFLUENCE ON POLICY. IT HAS HOWEVER, PROVIDED
SOMETHING OF A TRAINING GROUND FOR THE FINANCING COMMUNITY,
NOTABLY FOR "INVESTMENT HOUSES," WHICH TEND TO BE ORIENTED
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TOWARD THE SHORT-TERM MONEY MARKET.

DONOR COORDINATION WITHIN THE PDCP PROJECT HAS BEEN
GOOD. THE IBRD, ADB, AND IFC HAVE COOPERATED IN BOTH CAPITAL
INFUSIONS AND TECHNICAL ADVICE.

THE PDCP ROLE HAS BEEN TO ASSIST IN THE CREATION,
EXPANSION AND MODERNIZATION OF PRIVATE PRODUCTIVE ENTERPRISES

IN THE PHILIPPINES, TO ENCOURAGE PRIVATE CAPITAL PARTICIPATION FROM LOCAL AND FOREIGN SOURCES, TO FACILITATE PRIVATE ACQUISITION OF OWNERSHIP OF INVESTMENTS, HSARES AND SECURITIES, AND TO HELP DEVELOP TECHNICAL, FINANCIAL, MANAGERIAL, AND ADMINISTRATIVE KNOWLEDGE IN THE COUNTRY.

IN THE PAST, IBRD APPRAISAL MISSIONS HAVE FOUND THE PDCP GENERALLY SATISFACTORY AS AN INSTITUTION, BUT WANTING IN PROJECT EVALUATION, QUALITY OF ECONOMIC AND FOLLOW-UP WORK, AND ECONOMIC ANALYSIS OF PROJECTS. THE IBRD HAS ALSO SUGGESTED THAT PDCP EXPAND ITS SUPPORT FOR NEW ENTERPRISES (WHILE, SOMEWHAT INCONSISTENTLY, URGING PURSUIT OF CREDITWORTHINESS THROUGH CONSERVATIVE POLICIES) AND THAT PDCP SHOULD DIVERSIFY ITS SOURCES OF FINANCE. PDCP OPERATIONS HAVE NOT EXPANDED AS RAPIDLY AS ENVISIONED, IN PART OWING TO FLUCTUATIONS IN ECONOMIC CONDITIONS.

10. SMALL AND MEDIUM INDUSTRIES DEVELOPMENT: INDUSTRIAL GUARANTEE AND LOAN FUND (IGLF) (IRBD)

IN 1975, THE IBRD EXTENDED A LOAN OF \$30 MILLION FOR SMALL AND MEDIUM INDUSTRY DEVELOPMENT. OF THE \$30 MKLLION, \$15 MILLION WAS TO BE RELENT THROUGH THE DEEOLPMENT BANK OF THE PHILIPPINES, \$12 MILLION THROUGH THE INDUSTRIAL GUARANTEE AND LOAN FUND (IGLF), AND \$2.3 MILLION WAS FOR THE NATIONAL UNCLASSIFIED

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ELECTRIFICATION ADMINISTRATION. THE COMMENTS WHICH FOLLOW RELATE ONLY TO THE IGLF PORTION OF THE LOAN.

THIS INSTITUTION WAS INITIALLY SUCCESSFUL IN FEEDING LOANS TO PROJECT PROPONENTS THROUGH SPONSORING BANKS. HOWEVER, A REVISION OF ITS CAPITALIZATION REQUIREMENTS VIRTUALLY ELIMINATED PARTICIPATION OF THE RURAL BANKS, LIMITING ACCESS MOSTLY TO COMMERCIAL BANKS WHICH PREFER LARGE BORROWERS AND TEND TO BE INACCESSIBLE TO SMALL ENTREPRENEURS OUTSIDE OF METRO MANILA. IN TERMS OF ITS ORIGINAL PURPOSE, IT APPEARS ONLY marginally EFFECTIVE.

THE IGLF WAS ESTABLISHED IN 1952 WITH AID ASSISTANCE TO ENCOURAGE PRIVATE BANKING INSTITUTIONS TO PROVIDE LONG-TERM FINANCING TO SMALL ENTREPRENEURS. IT IS OWNED BY THE GOP NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY AND IS ADMINISTERED BY THE CENTRAL BANK. SOURCES OF FINANCING HAVE BEEN THE GOP AND EXTERNAL ASSISTANCE, PRIMARILY THE IBRD. ITS FUNDS ARE AVAILABLE TO SPONSORING BANKS, WHICH THEN RELEND THEM TO PROJECT PROPONENTS.

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THROUGH 1974, FINANCIAL ASSISTANCE TOTALLING NEARLY
193 MILLION PESOS (\$26 MILLION AT PRESENT EXCHANGE RATES) FOR
375 PROJECTS HAD BEEN APPROVED. AVERAGE SIZE OF LOAN DECREASED
FROM ABOUT \$100,000 TO \$26,000 FROM 1973 TO 1975, AND A HEAVY
CONCENTRATION IN THE MANILA AREA WAS REDUCED DURING THE SAME
PERIOD. INCREASINGLY, THEREFORE, LOAN FUNDS WERE BEING MADE
AVAILABLE TO SMALLER ENTREPRENEURS.

DEVELOPMENT OF THE IGLF AS AN INSTITUTION HAS BEEN
CONFUSED AND UNCERTAIN SINCE THE 1975 IBRD LOAN. WITH RESPECT
TO APPRAISAL AND SUPERVISION OF THE LOANS, IT WAS DECIDED THAT
A LARGE CENTRAL BUREAUCRACY OF IGLF WAS CLEARLY LESS DESIRABLE
THAN ENTRUSTING THESE FUNCTIONS TO INDIVIDUAL SPONSORING BANKS
WHICH HAD THE REQUIRED CAPABILITY. TRANSFER OF THIS RESPONSIBI-
LITY REQUIRED AN ACCREDITATION SCHEME, WHICH RAISED CAPITA-
LIZATION REQUIREMENTS OF PARTICIPATING RURAL BANKS FROM 250,000
PESOS (\$34,000) TO 500,000 PESOS (\$68,000). APPLICATION OF THIS
CRITERION DISQUALIFIED MOST RURAL BANKS, LEAVING ONLY COMMERCIAL
BANKS AS QUALIFIED IGLF LENDING INSTITUTIONS. THESE BANKS, HOWEVER,
PREFER LARGER BORROWERS, AND TEND TO BE INACCESSIBLE TO SMALL
ENTREPRENEURS OUTSIDE METRO MANILA.

ACCORDING TO IGLF OFFICIALS, THIS INACCESSIBILITY,
PLUS RELATIVELY HIGH INTEREST RATES, HAS RESULTED IN ONLY ABOUT
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HALF OF THE 1975 LOAN BEING DRAWN, AND IT IS BELIEVED THAT IT
WILL NOT BE FULLY DRAWN UNTIL THE END OF 1979. THE IGLF IS
THEREFORE NOT ENTHUSIASTIC ABOUT CONCLUDING A SECOND LOAN,
WHICH HAS BEEN SUGGESTED BY IBRD STAFF.

THE IGLF APPEARS TO HAVE HAD LITTLE MULTIPLIER EFFECT.

DONOR COORDINATION HAS BEEN EFFECTIVE: A USAID CONCEPT HAS BEEN TAKEN OVER BY A MULTILATERAL INSTITUTION.

IN TERMS OF THE PURPOSE FOR WHICH IT WAS SET UP, THE IGLF PRESENTLY APPEARS TO HAVE LIMITED EFFECTIVENESS. REMEDIES ARE NOT CLEAR. ON THE ONE HAND, THE IGLF ALREADY HAS THE REPUTATION OF A BUREAUCRACY-RIDDEN ENTITY, AND CENTRAL SUPERVISION OF LOANS SEEMS UNDESIRABLE. ON THE OTHER HAND, BROADENING THE BASE OF SPONSORING INSTITUTIONS WOULD SEEM TO REQUIRE SOME RELAXATION OF QUALIFICATION REQUIREMENTS, WHICH RAISES THE SPECTRE OF POOR SUPERVISION AND APPRAISAL. IT SEEMS CLEAR THAT SOME NEW DIRECTION NEEDS TO BE FOUND FOR THIS INSTITUTION BEFORE ADDITIONAL EXTERNAL FINANCING CAN BE FULLY EFFECTIVE.

A FURTHER POLICY QUESTION REMAINS AT ISSUE: CAN SMALL INDUSTRY FINANCING AT THIS STAGE BE ON A FULL COST RECOVERY BASIS, AS THE IBRD INSISTS, OR SHOULD; IT BE SUBSIDIZED, THE APPARENT PREFERENCE OF IGLF OFFICIALS.

1. THIRD WORLD BANK EDUCATION PROJECT (TEXTBOOK DEVELOPMENT AND PRODUCTION)

THIS EDUCATION PROJECT IS ONE OF A SERIES FINANCED BY WORLD BANK LOANS. THE FIRST LOAN IN 1964 PROVIDED \$6.0 MILLION TO THE UNIVERSITY OF THE PHILIPPINES AT LOS BANOS FOR IMPRO-
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VING HIGHER LEVEL AGRICULTURAL MANPOWER. THIS WAS COMPLETED IN 1972. AN IDA CREDIT OF \$12.7 WAS APPROVED IN 1973 TO HELP FINANCE A SECOND PROJECT FOR CONSTRUCTION OF NEW FACILITIES AND EQUIPMENT FOR SECONDARY TEACHER TRAINING AND FOR SECONDARY AND POST-SECONDARY AGRICULTURAL EDUCATION AND TRAINING. THESE PROJECTS PROGRESSED SATISFACTORILY AND LED TO THE THIRD PROJECT IN 1975 WITH \$25.0 MILLION OF IBRD FINANCING OF WHICH THE TEXT-BOOK DEVELOPMENT AND PRODUCTION PROJECT (\$17.0 MILLION) IS THE MAJOR COMPONENT. ABOUT \$6.5 MILLION OF THE TEXTBOOK FUNDS HAVE BEEN EXPENDED TO DATE.

THIS PROJECT IS NOT SUFFICIENTLY MATURE TO ASSESS ITS SUCCESS IN ACHIEVING ITS OBJECTIVE OF MAKING AVAILABLE TEXTBOOKS TO STUDENTS IN ALL RURAL AND URBAN AREAS WITHOUT REGARD TO FAMILY INCOME. IT IS THE MOST SIGNIFICANT ACTIVITY CURRENTLY FINANCED WITH FOREIGN ASSISTANCE INTENDED TO BENEFIT STUDENTS BELOW THE UNIVERSITY LEVEL. PROJECT TO DATE APPEARS TO BE GOING ACCORDING TO PLAN.

THE PROJECT IS EXPECTED TO PRODUCE AND DISTRIBUTE
APPROXIMATELY 27,000,000 TEXTBOOKS BY 1980. AN ADDITIONAL

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71,000,000 BOOKS IN ENGLISH, TAGALOG AND LOCAL DIALECTS, WILL
BE PRODUCED AND DISTRIBUTED IN THE FOLLOWING FIVE-YEAR
UTILIZING THE SYSTEMS ESTABLISHED BY THIS PROJECT. SINCE
TEXTBOOKS PRODUCED UNDER THIS PROJECT WILL BE LOANED
FREE OF CHARGE TO STUDENTS, BOTH POOR AND RICH, RURAL
AND URBAN PUPILS WILL HAVE EQUAL ACCESS TO PROJECT BENEFITS.
THUS FAR, MORE THAN 12,000,000 TEXTBOOKS HAVE BEEN DISTRIBUTED.

AT PROJECT INCEPTION, THERE WAS AN AVERAGE OF ONE TEXT-
BOOK PER SUBJECT FOR EVERY TEN STUDENTS. EIGHTY PERCENT OF
AVAILABLE BOOKS WERE OVER FIVE YEARS OLD. WHEN COMPLETED, THE
PROGRAM WILL HAVE PLACED IN THE SCHOOL SYSTEM ONE NEW TEXT ON
EACH SUBJECT FOR EVERY TWO STUDENTS. THIS SHOULD CONTRIBUTE
TO EQUALIZING STANDARDS BETWEEN URBAN AREAS WHICH HAVE HAD A
COMPARATIVE ADVANTAGE, AND RURAL AREAS WHICH HAVE BEEN LESS
WELL SUPPORTED. THE PROJECT SHOULD ALSO RAISE SCHOLASTIC
ACHIEVEMENT FOR LOWER INCOME STUDENTS, A GROUP HISTORICALLY
MUCH MORE LIMITED IN ACCESS TO EDUCATIONAL MATERIALS THAN THEIR
MORE ADVANTAGED CLASSMATES. IT IS ALSO ANTICIPATED THAT THE NEW
BOOKS WILL REKINDLE STUDENT INTEREST AND ENTHUSIASM FOR LEARNING,
RESULTING IN LOWER DROP-OUT RATES IN THOSE AREAS HITHERTO RELAT-
IVELY DEPRIVED OF EDUCATIONAL MATERIALS.

THE CREATION OF EMPLOYMENT IS NOT A MAJOR OBJECTIVE
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OF THIS PROJECT. HOWEVER, AN EXPANDED AND DECENTRALIZED SYSTEM OF DISTRIBUTION, THE PREPARATION AND PRINTING OF 27,000,000 NEW TEXTBOOKS, AND LOCAL PROCUREMENT OF SUPPLIES AND SERVICES WILL STIMULATE ADDED EMPLOYMENT AND ECONOMIC BENEFITS.

THE IMMEDIATE OBJECTIVE OF THE PROJECT IS THE ESTABLISHMENT OF AN INCREASED INSTITUTIONAL CAPACITY FOR CONTINUOUS DEVELOPMENT AND SUPPLY OF RELEVANT INSTRUCTIONAL MATERIALS. THE TEXTBOOK BOARD SECRETARIAT FORMED IN 1976 RESPONSIBLE FOR MANAGING THE TEXTBOOK PROGRAM IS NOW FUNCTIONING. FIVE NATIONAL CURRICULUM DEVELOPMENT CENTERS HAVE BEEN ESTABLISHED; AS HAVE FOURTEEN STAFF DEVELOPMENT CENTERS. THIRTY-FOUR PLANNED DEVELOPMENT HIGH SCHOOLS ARE FUNCTIONING AND ALL TEACHERS OF GRADES ONE AND TWO USING THE NEW TEXTBOOKS HAVE BEEN TRAINED. A DISTRIBUTION SYSTEM OF ONE CENTRAL WAREHOUSE AND 107 PROVINCIAL AND SUB-PROVINCIAL CENTERS IS PARTLY FUNCTIONING, BUT NOT TOTALLY IN PLACE AT THIS TIME.

GOP SUPPORT TO DATE HAS BEEN ABOUT \$6.3 MILLION. IN ADDITION TO THE IBRD SUPPORT, OTHER DONORS HAVE ASSISTED. A U.S. MANAGEMENT INFORMATION SYSTEM EXPERT, AND VARIOUS UNESCO EXPERTS HAVE CONTRIBUTED TO THE PROJECT.

THE PROJECT HAS INFLUENCED THE GOP TO EVALUATE THE RELEVANCE OF TEXTS AND CURRICULA TO NATIONAL DEVELOPMENT GOALS.

IT HAS ALSO ENCOURAGED DECENTRALIZATION AND MODERNIZATION OF EDUCATIONAL MATERIALS WAREHOUSING AND DISTRIBUTION.

THE PROJECT IS ONE OF A SERIES MADE POSSIBLE BY THE EDUCATIONAL DEVELOPMENT DECREE OF 1972 WHICH IN EFFECT ESTABLISHED A DONOR COORDINATING BODY, THE EDUCATIONAL DEVELOPMENT PROJECTS IMPLEMENTATION TASK FORCE (EDPITAF). A FORE-

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RUNNER OF THIS AGENCY WAS THE EDUCATION TASK FORCE (ETF). EDPITAF, UNDER THE DEPARTMENT OF EDUCATION AND CULTURE, TIES UP WITH EXISTING EDUCATIONAL AGENCIES AND INSTITUTIONS - IT IS RECOGNIZED AS A KEY COORDINATING BODY FOR THE IMPLEMENTATION OF DONOR FINANCED EDUCATIONAL IMPROVEMENT PROGRAMS.

C. MAJOR DONOR INFLUENCE ON GOP POLICY

IN CONJUNCTION WITH THE FOREGOING ASSESSEMENT OF INDIVIDUAL PROJECTS, WE BELIEVE IT USEFUL TO OFFER SOME GENERAL COMMENTS ON THE MAJOR DONOR AID PROGRAMS IN THE PHILIPPINES, SPECIFICALLY

REGARDING THE LEVEL OF THEIR INPUTS, MAJOR FOCUS OF THEIR ACTIVITIES, AND THE SCOPE OF THEIR INFLUENCE ON DEVELOPMENT POLICIES.

1. THE RODL BANK (IBRD)

THE BANK IS CURRENTLY PROVIDING ANNUALLY SOME \$350 MILLION OF DEVELOPMENT LOAN AID TO THE PHILIPPINES, ABOUT ONE-HALF OF TOTAL EXTERNAL ASSISTANCE. BANK LOANS ARE CONCENTRATED ON LARGE-SCALE INFRASTRUCTURAL AND INDUSTRIAL DEVELOPMENT PROJECTS NONE OF WHICH HAVE BEEN INCLUDED IN THIS ASSESSEMENT BECAUSE OF TIME AND RESOURCE CONSTRAINTS. HOWEVER, AN INCREASING SHARE IS BEING ALLOCATED TO AGRICULTURE AND TO THE SOCIAL SECTORS SUCH AS POPULATION, HEALTH, AND EDUCATION, ALTHOUGH EVEN THESE HAVE A HIGH INFRASTRUCTURE CONTENT. TECHNICAL

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SUPPORT FOR PROJECT DESIGN AND IMPLEMENTATION MONITORING IS NORMALLY PROVIDED THROUGH PERIODIC SHORT-TERM VISITS BY TECHNICAL CONSULTING FIRMS. THE BANK DOES NOT MAINTAIN A RESIDENT STAFF IN THE PHILIPPINES TO OVERSEE ITS LOAN PROGRAM.

THE BANK HAS CONSIDERABLE INFLUENCE IN THE PHILIPPINE DEVELOPMENT POLICY. AS CHAIRMAN OF THE PHILIPPINE CONSULTATIVE GROUP (CG), IBRD STAFFERS HAVE EXTENSIVE ACCESS TO GOP OFFICIALS, TECHNICIANS, AND INFORMATION. EIGHT BANK OFFICERS IN WASHINGTON DEVOTE THEIR FULL ENERGIES TO THE PHILIPPINES. ALTHOUGH THERE IS CERTAINLY A PROCESS OF NEGOTIATION IN PREPARING THE ECONOMIC MEMORANDUM PRIOR TO CG MEETINGS, THE BANK STAFF HAS A DOMINANT INFLUENCE IN SELECTING THE ISSUES TO RECEIVE PARTICULAR ATTENTION. AND THE GOP RESPONSE TO ISSUES SEEMS TO BE FOCUSED

BY THIS ATTENTION. FOR EXAMPLE, DOMESTIC RESOURCE MOBILIZATION IS A CONTINUING PROBLEM AND HAS RECEIVED CONSISTENT CG ATTENTION. IN THE PAST YEAR, A NUMBER OF NEW TAX MEASURES HAVE BEEN INITIATED WITH APPARENT DETERMINATION, AND GOP RESOLVE IS CLEARLY BRACED BY IBRD AND CG PRESSURE.

ANOTHER AREA OF IBRD POLICY INFLUENCE HAS BEEN IN URGING A GREATER REGIONAL ORIENTATION TO PLANNING. ECONOMIC CONCENTRATION ON THE MANILA AREA HAS LONG BEEN RECOGNIZED AS A PROBLEM, BUT THE RECENTLY-ANNOUNCED FIVE-YEAR PLAN SEEMS UNCLASSIFIED

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TO REFLECT A STRONG DETERMINATION TO CORRECT THE SITUATION. THE IBRD (AND TO SOME EXTENT THE UNDP) HAS BEEN CLOSELY IDENTIFIED WITH THE REGIONAL PLANNING PROJECT, TO THE EXTENT THAT AN IBRD OFFICER WAS DETAILED TO HEAD THE PROJECT FOR TWO YEARS.

2. THE ASIAN DEVELOPMENT BANK (ADB)

THE ASIAN DEVELOPMENT BANK PRESENTLY CONTRIBUTED SOME \$150 MILLION IN LOANS IN 1975 TO SUPPORT PHILIPPINE DEVELOPMENT PROJECTS, AREAS OF CONCENTRATION INCLUDE TRANSPORT, AGRICULTURE, IRRIGATION, WATER SUPPLY, POWER AND INDUSTRY. THE ADB HAS EXPRESSED INTEREST IN PROVIDING SUPPORT FOR SOCIAL DEVELOPMENT PROGRAMS, BUT IS NOT YET DOING SO. THE ADB IS LOCATED IN MANILA, AND HAS ADMINISTRATIVE AND TECHNICAL STAFF ASSIGNED TO DEVELOP AND MANAGE ITS PHILIPPINE DEVELOPMENT AID PROJECTS. DESPITE THE COMPARATIVELY LARGE SIZE OF ITS PORTFOLIO, THE ADB DOES NOT EXERT A PARTICULARLY STRONG INFLUENCE ON GOP DEVELOPMENT POLICIES, NOR DOES IT APPEAR TO WISH TO DO SO.

3. THE UNITED STATES(AID)

THE UNITED STATES IS PRESENTLY MAINTAINING A RESIDENT STAFF OF SOME 61 DIRECT HIRE TECHNICIANS AND DEVELOPMENT SUPPORT PERSONNEL, SLATED TO DROP TO 48 BY SEPTEMBER 30, 1978. THE U.S. PROGRAM IN 1977 AMOUNTED TO AROUND \$95 MILLION, AND WAS FOCUSED MAINLY ON RURAL DEVELOPMENT PROJECTS, IN AGRICULTURE, LIGHT INFRASTRUCTURE (RURAL ELECTRIFICATION, RURAL ROADS, WATER SUPPLY AND SMALL-SCALE IRRIGATION SYSTEMS), AND FAMILY WELFARE (POPULATION PLANNING, NUTRITION, AND HEALTH). BECAUSE OF ITS HISTORICAL RELATIONSHIP, ITS PAST HISTORY AS THE LARGEST DONOR, AND ITS RESIDENT MISSION, THE U.S. HAS PLAYED A MAJOR ROLE IN SHAPING PHILIPPINE DEVELOPMENT POLICIES AND PRIORITIES, PARTI- UNCLASSIFIED

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CULARLY WITH RESPECT TO AGRICULTURAL AND RURAL DEVELOPMENT.

4. JAPAN

THE JAPANESE PROGRAM IS LARGELY IN THE FORM OF YEN PACKAGE CREDIT. THE SIXTH PACKAGE WHICH HAS JUST BEEN SIGNED CONSISTED OF \$20 MILLION COMMODITY LOAN AND A \$94 MILLION PROJECT LOAN. MAJOR PROJECTS INCLUDED WERE CAGAYAN VALLEY RURAL ELECTRIFICATION (\$43 MILLION); HARBOR MAINTENANCE DREDGING \$16.5 MILLION; PHILIPPINE RAILWAY COMMUTER PROJECT (\$12.6 MILLION); PHILIPPINE-JAPAN HIGHWAY FERRY SERVICE (\$12.5 MILLION), AND FLOOD FORECASTING AND WARNING SYSTEM \$7.4 MILLION). JAPAN ALSO RECENTLY BEGAN A MODEST GRANT PROGRAM WHICH AMOUNTED TO \$7.7 MILLION IN 1977. \$5.4 MILLION IN FERTILIZER WAS GIVEN FOR INCREASED FOOD PRODUCTION AND \$2.3 MILLION FOR THE NATIONAL HYDRAULIC RESEARCH CENTER. THE FORMER PROJECT IS FOCUSED ON THE COTABATO IRRIGATION PROJECT AREA DEVELOPED WITH ADB FINANCING. JAPAN INTENDS TO DOUBLE ITS ASSISTANCE OVER THE NEXT FIVE YEARS AT ABOUT 15 PERCENT INCREASE ANNUALLY. JAPAN'S RESIDENT STAFF IS VERY SMALL. THEY APPARENTLY DO NOT SEEK AN INFLUENTIAL POLICY ROLE.

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D. DONOR COORDINATION

1. THE NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA)

NEDA PLAYS THE LEADING ROLE IN COORDINATING DONOR SUPPORT TO PHILIPPINE DEVELOPMENT. NEDA HAS PRODUCED A SUCCESSION OF COMPREHENSIVE MULTI-YEAR NATIONAL DEVELOPMENT PLANS, THE

LATEST OF WHICH IS FOR THE FIVE YEARS BEGINING WITH 1978. IT ALSO COORDINATES CLOSELY WITH ALL DONORS, LARGE AND SMALL TO ELICIT SUPPORT FOR KEY ELEMENTS OF ITS NATIONAL PROGRAM REQUIRING EXTERNAL ASSISTANCE. NEDA IS MOT CAREFUL AND EFFECTIVE IN GUIDING DONORS TO INSURE MAXIMUM COMPLIMENTARITY AND MINIMIZE UNNECESSARY OVERLAP AMONG THEIR PROJECTS. NEDA'S SUCCESS IN THIS ROLE REDUCES THE NEED FOR DONORS TO COORDINATE INDEPENDENTLY FOR THIS PURPOSE.

2. CONSULTATIVE GROUP (CG)

THE CG FOR THE PHILIPPINES HAS BEEN FUNCTIONING SINCE 1971. THE GROUP HOLDS ANNUAL MEETINGS AT WHICH THE PHILIPPINES REPORTS ON ITS PLANS, POLICIES, AND PRIORITIES FOR DEVELOPMENT AND THE IBRD PRESENTS AN ASSESSMENT OF THE COUNTS ECONOMIC SITUATION AND PROSPECTS, AND FOREIGN ASSISTANCE REQUIREMENTS THE MEMBER COUNTRIES ARE INVITED TO COMMENT ON THE COUNTRY'S UNCLASSIFIED

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REPORT AND THE IBRD'S ASSESSMENT, AND TO INDIVATE POSSIBLE LEVELS OF SUPPORT.

SINCE THE CG WAS ORGANIZED, FOREIGN ASSISTANCE TO THE PHILIPPINES HAS HEARLY TRIPLED. THE MAJOR CONTRIBUTORS HAVE BEEN THE IBRD, ADB, UNITED STATES AND JAPAN. IBRD/IDA CONCESSIONAL LOANS INCREASED NINE-FOLD, ADB LOANS NEARLY FOUR-FOLD. U.S. AID HAS INCREASED TO OVER TWO AND HALF TIMES THE 1971 LEVEL, WHILE JAPANESE AID HAS DOUBLED. CONTRIBUTIONS FROM OTHER DONORS HAVE FLUCTUATED.

DESPITE THE TRIPLING IN AID SINCE ITS INCEPTION, THE CG DOES NOT APPEAR TO HAVE BEEN ESPECIALLY EFFECTIVE AS A MECHANISM FOR GENERATING ADDITIONAL FOREIGN ASSISTANCE FUNDS, INSASMUCH AS IT MUST BE ASSUMED THAT THE GREATLY INCREASED DONOR AID LEVELS WOULD HAVE OCCURED WITHOUT THE CG. ON THE OTHER HAND, IT HAS SERVED AS AN EFFECTIVE INSTRUMENT FOR KEEPING THE MEMBER COUNTRIES AND INSTITUTIONS FULLY INFORMED ON THE DEVELOPMENT SITUATION IN THE PHILIPPINES, AND THE ACTIVITIES OF THE PRINCIPAL DONORS. IN THIS CAPACITY, IBRD STUDIES OF GOP DEVELOPMENT PLANS HAVE HELPED TO AVOID DUPLI-CATION OR UNWARRANTED OVERLAPPING OF PROGRAM ACTIVITIES AND HAVE HLEPED TO FOSTER CONTINUED FRIENDLY RELATIONS BETWEEN THE PHILIPPINE GOVERNMENT AND REPRESENTATIVES OF THE PRINCIPAL DONORS. FOR ITS PART, THE GOP CAPACITY FOR HANDLING ASSISTANCE APPEARS TO BE STRETCHED TO ABOUT ITS PRESENT LIMIT. FURTHER INCREASES IN REAL ASSISTANCE LEVELS WOULD REQUIRE SOME ATTENTION TO ADMINISTRATION CAPACITY.

3. COORDINATION PROBLEMS

EVEN THOUGH THE ANNUAL MEETING OF THE PHILIPPINE CONSULTATIVE
GROUP IS WORTHY CONTRIBUTION TO OVERALL
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COORDINATION AND ASSESSEMENT OF GENERAL DEVELOPMENT DIRECTIONS,
IT TENDS TO TAKE ON THE CHARACTER OF A PLEDGING SESSION WHEN
IT COMES TO ASSISTANCE PLANNING. THERE IS THEN A GAP BETWEEN
THIS MACRO LEVEL AND THE LEVEL OF PLANNING FOR SPECIFIC
PROJECTS, A GAP WHICH IS NOT FILLED BY THE MONTHLY OPERATIONAL
SUMMARIES FROM THE IBRD AND ADB. IBRD PROJECT OFFICERS COULD
IMPROVE THEIR COORDINATION WITH OTHERS DURING THE PROCESS OF
DEVELOPING THEIR PROJECTS. OUR FIRST FULL EXPOSURE TO THEIR
THINKING COMES WITH DISTRIBUTION OF THE LOAN PROPOSAL DOCUMENTS.
IN THE CASE OF THE ADB, THESE ARE RECEIVED TWO TO THREE WEEKS
BEFORE BOARD CONSIDERATION; IBRD DOCUMENTS ARE MOST OFTEN
RECEIVED AT ABOUT THE SAME TIME AS THE BOARD MEETING. THIS
HARDLY PERMITS A MEANINGFUL ASSESSMENT.

THE MORE IMPORTANT POINT, OF COURSE, IS THAT THE
TIME FOR USEFUL COORDINATION IS LONG PAST, ONCE LOAN DOCUMENTS
ARE PREPARED. CONSULTATIONS SHOULD TAKE PLACE WHEN OFFICERS ARE
IN THE FIELD. WE HAVE BEEN MORE SUCCESSFUL IN THIS AREA WITH
THE ADB THAN WITH THE IBRD, PROBABLY BECAUSE THE FORMER IS
LOCATED IN MANILA.

4. USAID COORDINATION WITH OTHER DONORS.

FOR THE PAST SEVERAL YEARS THE USAID HAS HAD AT LEAST
TWO FULL PROGRAM REVIEW EXCHANGES ANNUALLY WITH THE ADB, AND
THE EMBASSIES OF JAPAN AND AUSTRALIA. ONE OF THESE USUALLY

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TAKES PLACE WITH EACH DONOR IN LATE FEBRUARY OR EARLY MARCH WHEN ALL FOUR DONORS ARE FORMULATING THEIR NEW PROGRAMS. FROM THESE EXCHANGES, PARTICULARLY WITH THE ADB, HAVE BEEN GENERATED A NUMBER OF SPECIFIC INTERESTS WHICH ARE THEN PURSUED ON A TECHNICAL LEVEL AS FREQUENTLY AS NECESSARY TO EFFECT THE DESIRED COORDINATION, LAST YEAR'S MEETING WITH THE ADB SPARKED ARRANGEMENTS FOR AN ADB TECHNICAL TEAM TO VISIT THE BICOL AREA WITH A DEFINITE VIEW TO FINANCING AREA DEVELOPMENT PROGRAMS PLANNED BY THE BICOL RIVER BASIN COUNCIL WHICH WAS ITSELF DEVELOPED UNDER AN AID GRANT. THE ADB HAS FUNDED SEVERAL PROVINCIAL CITY WATER SYSTEMS FOR WHICH USAID FINANCED THE FEASIBILITY STUDIES. THE ADB ALSO FOLLOWS THE RURAL ELECTRIFICATION PROGRAM VERY CLOSELY WITH A VIEW TOWARD A LOAN AT SOME FUTURE DATE. LIAISON WITH THE ADB IS GREATLY FACILITATED BY HAVING A MEMBER OF THE U.S. DELEGATION ATTEND THE WEEKLY USAID MANAGEMENT STAFF MEETING. JAPAN'S OVERSEAS ASSISTANCE OFFICIALS IN MANILA HAVE ALSO PROGRAMMED ASSISTANCE BASED ON INSTITUTIONS DEVELOPED WITH USAID FINANCING, PARTICULARLY RURAL ELECTRIFICATION AND BICOL AREA DEVELOPMENT.

UNTIL THIS YEAR THESE TALKS HAVE BEEN HELD BY USAID WITH EACH DONOR. THIS YEAR, HOWEVER, WE ADVANCED THE IDEA OF A ROUND OF TALKS BETWEEN MID-FEBRUARY AND MID-MARCH WITH EACH ORGANIZATION HOSTING A BRIEFING ON ITS OWN CURRENT AND PRO-

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JECTED PROGRAMS, WITH A DISCUSSION PERIOD FOLLOWING TO EXPLORE POSSIBLE AREAS FOR FOLLOW UP COORDINATION INFORMALLY AT THE TECHNICAL LEVEL. COMMON PROBLEMS IN DEVELOPMENT AND IMPLEMENTATION OF ASSISTANCE PROJECTS WILL ALSO BE IDENTIFIED AND POSSIBLE JOINT ACTION TO RESOLVE THEM DISCUSSED. TO DATE JAPAN, AUSTRALIA, AND ADB AND THE PEACE CORPS HAVE EXPRESSED ENTHUSIASM FOR THE IDEA AND HAVE OFFERED TO HOST BRIEFINGS. REGRETTABLY, SINCE IBRD HAS NO RESIDENT LIAISON OFFICIAL IN THE PHILIPPINES, THE LARGEST DONOR HAS THUS FAR NOT BEEN INCLUDED IN THESE PLANNED EXCHANGES.

5. RECOMMENDATIONS

HOW CAN THE SITUATION BE IMPROVED? TWO POSSIBILITIES SUGGEST THEMSELVES, BOTH OF WHICH WOULD REQUIRE INITIATIVES AT THE WASHINGTON LEVEL. THE IBRD COULD BE ASKED TO ESTABLISH RESIDENT REPRESENTATIVES IN THOSE COUNTRIES WHERE THERE ARE SIGNIFICANT CONTRIBUTIONS BY OTHER DONORS. THIS WOULD PROVIDE A POINT OF CONTACT AND A SOURCE OF CURRENT INFORMATION ON

CONTEMPLATED OR ONGOING PROJECTS. SUCH A MOVE WOULD INVOLVE SOME COST AND WOULD HAVE TO BE CLEARLY JUSTIFIED IN EACH CASE. IN VIEW OF THE SCALE OF DONOR ACTIVITY IN THE PHILIPPINES, AND SPECIFICALLY THE LARGE COMMITMENTS BEING MADE BY IBRD, ESTABLISHING A RESIDENT OFFICE WOULD WELL BE JUSTIFIED.

AN ALTERNATIVE APPROACH WOULD BE TO REQUEST THE BANKS TO ESTABLISH A POLICY THAT VISITING BANK MISSIONS CONVEENE A MEETING OF INTERESTED DONORS SOMETIME DURING THEIR VISIT TO THE COUNTRY. THIS HAS THE VIRTUE OF ECONOMY, SINCE BANK MISSIONS ALREADY MAKE FAIRLY FREQUENT VISITS, AND COULD SIMPLY INCLUDE SUCH A MEETING IN THEIR TRIP PLANNING. IN BOTH CASES, OF COURSE, SUPPORT OF OTHER DONOR COUNTRIES WOULD MATERIALLY ASSIST US IN BRINGING ABOUT NEW UNCLASSIFIED

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PROCEDURES.

NOW THAT THE BANKS ARE BEGINNING TO BROADEN THEIR HORIZONS SIGNIFICATLY INTO SOCIAL DEVELOPMENT, WE THINK THAT CLOSE COOPERATION WILL BECOME INCREASINGLY IMPORTANT. WE STRONGLY URGE WASHINGTON AGENCIES TO EXPLORE MEANS OF IMPROVING THE SITUATION WITH THE BANKS. NEWSOM

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